General Assembly
Official Records
Seventy-first Session
Supplement No. 9

A/71/9*

United Nations Joint Staff Pension Fund

Report of the United Nations Joint Staff Pension Board

Sixty-third session
(14-22 July 2016)

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* Reissued for technical reasons on 25 October 2016.

United Nations • New York, 2016

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ISSN 0252-1202

[22 July 2016]

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Abbreviations

CCISUA	Coordinating Committee for Independent Staff Unions and Associations of the United Nations System
CEB	United Nations System Chief Executives Board for Coordination
FAFICS	Federation of Associations of Former International Civil Servants
FAO	Food and Agriculture Organization of the United Nations
FICSA	Federation of International Civil Servants' Associations
HLCM	High-level Committee on Management of CEB
IAEA	International Atomic Energy Agency
IAS	International Accounting Standard
ICAO	International Civil Aviation Organization
ICCROM	International Centre for the Study of the Preservation and the Restoration of Cultural Property
ICSC	International Civil Service Commission
ICT	Information and communications technology
IFAD	International Fund for Agricultural Development
IFRS	International Financial Reporting Standards
ILO	International Labour Organization
IMO	International Maritime Organization
IOM	International Organization for Migration
IPAS	Integrated pension administration system
IPSAS	International Public Sector Accounting Standards
ISAE	International Standard on Assurance Engagements
ISO	International Organization for Standardization
ITLOS	International Tribunal for the Law of the Sea
ITU	International Telecommunication Union
OIOS	Office of Internal Oversight Services
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization
WTO	World Trade Organization

Chapter I

Introduction

1. The United Nations Joint Staff Pension Fund was established in 1949, by a resolution of the General Assembly, to provide retirement, death, disability and related benefits for staff upon cessation of their services with the United Nations, under Regulations that, since then, have been amended at various times.

2. As an independent inter-agency entity, the Fund operates under its own Regulations as approved by the General Assembly and, in accordance with its governance structure, is administered by the United Nations Joint Staff Pension Board, which currently consists of 33 members, representing the 23 member organizations listed in annex I to the present report. One third of the Board members are chosen by the General Assembly and the corresponding governing bodies of the other member organizations, one third by the executive heads of those organizations and one third by the participants in the Fund. The Board reports to the General Assembly on the operations of the Fund and on issues related to the management of its investments. When necessary, it recommends amendments to the Regulations and to the Fund's pension adjustment system, which govern, inter alia, the rates of contribution by the participants (currently, 7.9 per cent of their pensionable remuneration) and by the organizations (currently 15.8 per cent), eligibility for participation and the benefits to which participants and their dependants may become entitled. Expenses incurred in the administration of the Fund — principally, the cost of its central secretariat in New York and its office in Geneva, and the expenses of managing its investments — are met by the Fund.

3. The present report is submitted by the Board following its sixty-third session, held from 14 to 22 July 2016 at the headquarters of the International Atomic Energy Agency, in Vienna. The members, alternate members and representatives accredited to the session of the Board, the Chair and other officers elected by the Board, and those who actually attended, are listed in annex II.

4. The major items addressed by the Board were: (a) actuarial matters, including the results of the thirty-third actuarial valuation of the Fund, as at 31 December 2015, and the report of the Committee of Actuaries; (b) the management of the investments of the Fund, including the report by the Representative of the Secretary-General for the Investments of the Fund on investment performance for the one-year period ended 31 December 2015, the investment policy statement and the draft anti-fraud policy of the Investment Management Division; (c) the draft financial rules of the Fund; (d) the Fund's strategic framework for 2018-2019 and the performance report on the strategic framework indicators for 2014-2015; (e) revised budget estimates for the biennium 2016-2017; (f) the reports of the Assets and Liabilities Monitoring Committee and the Audit Committee; (g) report on the implementation of the integrated pension administration system; (h) whole office review and review of client service activities; (i) decisions of the General Assembly regarding changes in compensation proposed by ICSC; (j) status report of the contact group (spousal benefits under articles 34 and 35 of the Regulations of the Fund); (k) possible changes to the Regulations and Administrative Rules with respect to technical changes necessary to coordinate provisions as a result of past changes in the Regulations; and (l) application of paragraph 26 of the pension adjustment system.

5. The Board examined and approved the financial statements and schedules of the Fund for the year ended 31 December 2015.

6. Other items considered by the Board and included in the present report were: (a) status report of the Emergency Fund; (b) report of the medical consultant and consideration of establishing a standard medical examination for the purposes of participation in the Fund; (c) rotation schedule of the Board and the Standing Committee; (d) modalities for the discussion of the report of the Board of Auditors and the report of OIOS; and (e) review of the Fund's appeals processes.

7. The membership of the Committee of Actuaries, established under article 9 of the Regulations, is shown in annex V.

8. The membership of the Investments Committee, established under article 20 of the Regulations, is shown in annex VI.

9. The membership of the Audit Committee, established under appendix 4 to the Rules of Procedure of the Fund, is shown in annex IX.

10. The membership of the Assets and Liabilities Monitoring Committee, established under appendix 5 to the Rules of Procedure of the Fund, is shown in annex X.

11. Chapter II provides an overview of the decisions taken by the Board at its sixty-third session and chapter III a summary of the operations of the Fund for the biennium ended 31 December 2015. Chapters IV to XI address issues on which action is required by the General Assembly, as well as matters on which the Board informs the Assembly. The salient observations, conclusions and recommendations set out in the present report are highlighted in bold print.

12. A draft resolution for the consideration of the General Assembly is contained in annex XVII.

Chapter II

Overview of decisions taken by the Board

A. Recommendations and decisions of the Board that require action by the General Assembly

13. The following recommendations and decisions taken by the Board at its sixty-third session require action by the General Assembly:

(a) The Board recommends the approval of an amendment to article 41 of the Regulations of the Fund as provided in annex XIII to the report to reflect the adoption of the medical standard of "fit for employment" for participation in the Fund;

(b) The Board recommends the approval of a technical amendment to clarify the language of article 24 of the Regulations, as set out in annex XIII;

(c) The Board recommends the approval of an amendment to paragraph 26 of the Fund's pension adjustment system to reflect that in cases of reinstatement, a new local currency track benefit would be established as of the date of reinstatement using the 36-month average of exchange rates ending as of that date, as set out in annex XV;

(d) The Board also decided to recommend approval of total additional resources relating to the biennium 2016-2017, in the amount of $3,228,700. The revised budget for the biennium 2016-2017 would then amount to $182,307,000. The increase is related primarily to non-post resources for 20 general temporary assistance positions for the creation of a task force to address the recent surge in separations, including support in communications and end-to-end review of the process.

B. Information provided to the General Assembly on other action taken by the Board

14. The General Assembly may wish to take note of the following information on items that were considered by the Board at its sixty-third session:

(a) The actuarial valuation of the Fund, performed as at 31 December 2015, revealed a surplus of 0.16 per cent of pensionable remuneration, which compares to the deficit of 0.72 per cent revealed by the 2013 actuarial valuation. This was the first actuarial valuation showing a surplus after three consecutive bienniums reporting a contribution rate deficiency. Without the decision to change the normal retirement age to age 65 for new staff beginning 1 January 2014, the deficit would have continued to exist as at 31 December 2015. The Board noted the importance of continuing to earn the necessary 3.5 per cent annual real rate of return both on a long-term basis for the future solvency of the Fund, as well as on a short-term basis so as to not reverse the upward trend in valuation results (the 3.5 per cent annual return was not met in the last two years);

(b) With respect to the Fund's liabilities on a plan-termination basis, as at 31 December 2015 the Fund was in a soundly funded position at 141.1 per cent, assuming future expected cost-of-living adjustments are not taken into account. Taking into account future expected cost-of-living increases, the funded ratio was

100.9 per cent. In reference to article 26 of the Regulations, there is no requirement that deficiency payments be made by member organizations;

(c) With respect to the costs of the two-track feature of the pension adjustment system, the Board noted that the overall cost of the two-track feature for purposes of the assumption used in the actuarial valuation had been increased from 1.9 per cent of pensionable remuneration to 2.1 per cent;

(d) The Board considered the membership of the Committee of Actuaries and recommended that the Secretary-General reappoint four members of the Committee;

(e) The Board took note of the Secretary-General's proposal regarding the membership of the Investments Committee, including the proposal to appoint a new regular member of the Committee from Latin America for a three-year term, beginning 1 January 2017;

(f) The Board took note of the 2016 investment policy statement and concurred with the observations of the Assets and Liabilities Monitoring Committee concerning that document;

(g) The Board considered and took note of the Investment Management Division's draft anti-fraud policy, developed in response to the recommendation of the General Assembly;

(h) The Board considered and approved the financial rules of the Fund, which will be part of the Administrative Rules. It was noted that nothing in the financial rules changed the governance or operations of the Fund; they merely codified the existing practice and provided a proper legal framework for financial management, thereby reinforcing the Fund's internal control mechanism;

(i) The Board took note of the successful implementation of the IPAS project. The Board commended the management and staff of the Fund for their hard work on this complex project and recommended that the Fund's management intensify its efforts to forecast, plan and manage the Fund's caseload in light of current and anticipated separations. The Board also welcomed management's proposal to establish a new task force to complement specific measures to address the backlog, and to conduct a review of the end-to-end process in cooperation with member organizations of the Fund;

(j) The Board considered the suggestions contained in the whole office review and the review of client service activities (a study on a new client services model for the Fund) and asked the Fund secretariat to present for review and discussion the necessary resource requirements and proposed structural changes in the relevant budget proposals. The Board also approved the action plan presented by the Chief Executive Officer to deal with the surge in the number of separations;

(k) The Board was presented with the report of the Audit Committee, which summarized the major findings and conclusions of the Committee. The Board endorsed the report, including its recommendations;

(l) The Board took note of the OIOS report on the internal audit activities of the Fund for the year ended 30 June 2016;

(m) The Board considered and approved proposed modalities for the Fund's 2016 financial statements that would enable the Board to consider the financial statements together with the final audit report of the Board of Auditors in accordance with the request made by the General Assembly in its resolution 70/248;

(n) The Board approved the Fund's strategic framework for the biennium 2018-2019 and took note of the performance report on the strategic framework indicators for 2014-2015;

(o) The Board took note of the evaluation of the Chief Executive Officer and approved the conclusions and recommendations of the evaluation panel, including that the overall performance of the current Chief Executive Officer had been effective and successful, and that reappointing him would provide for the critical continuity of programmes already under way and the required associated institutional memory;

(p) The Board was presented with the report of the Assets and Liabilities Monitoring Committee and endorsed the report, including the Committee's recommendations;

(q) The Board supported the gradual implementation starting in 2017 of proposed changes to the Fund's appeals procedure, which would not require any amendments to the Fund's Regulations and Rules;

(r) The Board decided to restart the current six-year rotation schedule for Pension Board and Standing Committee membership, as shown in annexes XI and XII, respectively;

(s) The Board was presented with an update through 31 December 2015 of the effects of currency fluctuations on the benefits payable in countries covering 90 per cent of the benefits payable as local currency track benefits. The Board took note that the local currency track pension amounts continue to be maintained at or near the targeted levels for the countries under review;

(t) The Board approved an amendment to section C of the Fund's Administrative Rules, to reflect that a determination of fitness for employment based on a medical evaluation by the member organization will be acceptable for determining medical fitness for participation in the Fund; and to rule J.7 to align it with article 1(n) of the Regulations. Both amendments are set out in annex XIV;

(u) With respect to the changes in compensation proposed by ICSC, the Board was informed of the discussions of the Advisory Committee on Administrative and Budgetary Questions of the Secretary-General's report regarding the implementation of the new common system compensation package in the United Nations Secretariat. The Board expressed concern that the potential delay in the implementation by the United Nations of the changes mandated by the General Assembly to take effect on 1 January 2017 could significantly increase the workload of the Pension Fund. The Board requested that the Secretariat make a concerted effort to supply the individual pensionable remuneration amounts based on the new salary structure to the Fund secretariat at the time of each staff member's separation. Alternatively, should the necessary data be provided to the Fund on a retroactive and corrective basis, the Board requested that the United Nations provide the appropriate resources required to complete the additional processing work and be responsible for the appropriate communications to staff members regarding the processing delays;

(v) The Board approved the recommendation of its contact group that it instruct the Chief Executive Officer of the Fund to revise the implementation guidelines with regard to the application of articles 34 and 35 (spousal benefits) in line with the policy of the United Nations Secretariat when the union is lawfully entered into and legally recognized by the competent authority of the location where the status is established and as long as the union has similar legal effects to those of a marriage, specifically conferring pension rights;

(w) The Board reviewed and took note of four judgments of the United Nations Appeals Tribunal in cases where the Fund had been the respondent.

Chapter III

Summary of the operations of the Fund for the biennium ended 31 December 2015

15. During the biennium ended 31 December 2015, the number of participants in the Fund increased from 120,294 to 126,892, or by 5.5 per cent; the number of periodic benefits in award increased from 69,980 to 71,474, or by 2.1 per cent. As at 31 December 2015, the breakdown of the periodic benefits in award was as follows: 26,275 retirement benefits, 15,525 early retirement benefits, 7,536 deferred retirement benefits, 11,744 widows' and widowers' benefits, 8,947 children's benefits, 1,409 disability benefits and 38 secondary dependants' benefits. In the course of the biennium, 10,095 lump-sum withdrawal and other settlements were paid. A breakdown by member organization of participants and of benefits awarded during the year ended 31 December 2015 is shown in tables 1 and 2 of the appendix to annex VII.

16. During the two-year period from 1 January 2014 to 31 December 2015, the net assets available for benefits increased from $51,472,754,000 to $52,266,855,000 (see annex VII, statement of net assets available for benefits). The investment income of the Fund during the period amounted to $1.2 billion, and contributions and other income amounted to $4.5 billion, for a total of $5.7 billion in income to the Fund.

17. Benefit payments and expenses for the two-year period ended 31 December 2015 amounted to $4.9 billion.

18. Benefit payments exceeded contributions for the two-year period ended 31 December 2015 by $262 million.

19. The Fund's overall investment performance for the calendar year ended 31 December 2015 was -1.0 per cent, and for the year ended 31 December 2014 it was 3.21 per cent, as compared with the Fund's performance benchmarks for the same periods of -1.1 per cent and 3.74 per cent, respectively.

20. A summary of the Fund's investments as at 31 December 2015 and their market values are given in annex VII, statement of net assets available for benefits

Chapter IV

Actuarial matters

A. Thirty-third actuarial valuation of the Fund, as at 31 December 2015

21. Article 12 (a) of the Regulations of the United Nations Joint Staff Pension Fund provides that "the Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary". The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities. The practice of the Board has been to carry out a valuation every two years.

22. The consulting actuary submitted to the Board the main results of the thirty-third actuarial valuation of the Fund as at 31 December 2015; the previous valuation had been as at 31 December 2013 and its results had been reported to the General Assembly at its sixty-ninth session in 2014. The Board also had before it the observations of the Committee of Actuaries, which had examined the valuation results prior to their submission to the Board.

Changes in the Regulations of the Fund

23. The valuation was based on the Regulations and Rules of the Fund as in effect from 1 January 2016, with no changes in those provisions since the last actuarial valuation completed as at 31 December 2013.

Actuarial valuation basis

24. The valuation was prepared on the basis of the actuarial assumptions recommended by the Committee of Actuaries and approved by the Pension Board at its sixty-second session in 2015.

25. The actuarial assets value used for purposes of preparing the periodic actuarial valuations is calculated using a five-year moving market value averaging methodology, subject to a limiting corridor of 15 per cent below and above the market value of the assets as of the valuation date. This method is new for the Fund and represents a preferred method for smoothing the investment gains and losses. This is the second valuation in which the Fund is transitioning to the new method, with alternative methodology to be fully implemented no later than the completion of the actuarial valuation effective as of 31 December 2019. For the 31 December 2015 valuation, the actuarial assets value was determined on the basis of 50 per cent of the actuarial assets calculated under the prior methodology plus 50 per cent of the actuarial assets calculated under the alternative methodology. On that basis, the actuarial assets value was determined to be $52,467.8 million, which is 100.38 per cent of the market value of the assets reported as of that date ($52,266.9 million).

26. The valuation results presented were based on economic assumptions including static salary increases of 3.5 per cent per annum, a nominal rate of return on assets of 6.5 per cent per annum and a long-term inflation rate of 3.0 per cent per annum, resulting in an expected real interest rate (nominal interest rate net of assumed inflation) of 3.5 per cent per annum. This combination of economic assumptions is referred to as "3.5/6.5/3.0". Demographic assumptions included a

projection of growth in the number of future active participants of 0.5 per cent per annum over the next 10 years, with zero growth thereafter.

27. Owing to delays in furnishing data to the consulting actuary, caused by the ongoing implementation of the Umoja enterprise resource planning system within the United Nations, which affected the preparation and submission of the financial statements for the United Nations (volume I) as well as non-peacekeeping reporting entities, the actuarial valuation results based on two alternative sets of economic assumptions and two alternative sets of participant growth assumptions were delayed past the date of the Board presentation. Those results will be included in the formal actuarial valuation report, which will be submitted to the Board following the conclusion of its sixty-third session.

28. The demographic and other related assumptions used for the 31 December 2015 actuarial valuation reflected the following changes, as recommended by the Committee of Actuaries in 2015 and approved by the Pension Board at its sixty-second session:

(a) Reset the period for forecasting mortality improvement for healthy pensioners and beneficiaries to 20 years from the date of the 2015 actuarial valuation, or through 2035;

(b) Modify the assumption with respect to utilization of the lump-sum commutation option, from 21.5 per cent to 20.4 per cent of annuity amounts;

(c) Modify the estimate of the long-term cost of the two-track pension adjustment system, from 1.90 per cent to 2.10 per cent of pensionable remuneration, reflecting the findings of the asset-liability management study completed in 2015;

(d) Modify slightly the late retirement rates for females, to harmonize them with the assumed late rates of retirement for males.

29. Upon the recommendation of the Committee of Actuaries, the provision for administration costs to be included in the current valuation was based on one half of the Fund's approved budget for the biennium 2016-2017, divided by the total pensionable remuneration as at 31 December 2015. Using this methodology, the provision for administration costs included in the 31 December 2015 actuarial valuation was 0.34 per cent of pensionable remuneration, which is unchanged from the prior biennium.

Analysis of the valuation results

30. Table 1 provides the results of the thirty-third actuarial valuation and compares them with the results of the regular valuation as at 31 December 2013.

Table 1
Comparison of valuation results

Valuation date	*Valuation basis*	*Contribution rate required (as percentage of pensionable remuneration) to attain actuarial balance of the Fund* *Required rate*	*Current rate*	*Difference (surplus)/deficit*
31 December 2015	3.5/6.5/3.0 with 10-year 0.5 per cent participant growth (regular valuation)	23.54	23.70	(0.16)
31 December 2013	3.5/6.5/3.0 with 10-year 0.5 per cent participant growth (regular valuation)	24.42	23.70	0.72

31. The regular valuation as at 31 December 2015 showed that the required contribution rate as at 31 December 2015 was 23.54 per cent, as compared to the current contribution rate of 23.70 per cent, resulting in an actuarial surplus of 0.16 per cent of pensionable remuneration. This represents a decrease of 0.88 per cent of pensionable remuneration in the required contribution rate from the rate disclosed as at 31 December 2013 (that is, a decrease from 24.42 per cent to 23.54 per cent), when the valuation had revealed a deficit of 0.72 per cent. The pattern of increasing deficits since the 31 December 1999 actuarial valuation has been reversed with the prior actuarial valuation and the current one, both of which disclosed a reduction in the deficit of the Fund.

Current value of accrued benefits

32. The actuarial valuation contained another indicator of the funded position of the Fund, namely a comparison of the current assets of the Fund with the value of the accrued benefits on the valuation date (that is, the benefits for retired participants and beneficiaries and the benefits considered to have been earned by all current participants if their service were terminated on that date).

33. With respect to its liabilities on a "plan termination" basis, the Fund was in a soundly funded position, as it had been for the past 13 valuations, if future adjustments of pensions were not taken into account. The funded ratio determined under the regular valuation basis and without future pension adjustments was 141.1 per cent. This meant that the Fund would have considerably more assets than needed to pay the benefits if no adjustments were made in pensions for changes in the cost of living. The funded position decreased considerably when account was taken of the current system of pension adjustments, including the cost of the two-track system (2.1 per cent of pensionable remuneration); the current valuation indicated that under the regular valuation basis the funded ratio was 100.9 per cent.

Results of the valuation in dollar terms

34. The General Assembly had requested the Board, in resolutions 47/203 of 22 December 1992 and 48/225 of 23 December 1993, to consider the form in which it presented the valuation results, taking into account, inter alia, the observations made by the Board of Auditors. The auditors had requested the Board to include in its reports to the General Assembly disclosures and opinions with regard to the valuation results, namely presentations of: (a) the valuation results in dollar terms; (b) a statement of sufficiency under article 26 of the Regulations of the Fund; and

(c) a statement by the Committee of Actuaries and the consulting actuary on the actuarial position of the Fund, to which the Board of Auditors could refer in their observations on the accounts of the Fund.

35. Accordingly, table 2 summarizes the valuation results as at 31 December 2015, both as a per cent of pensionable remuneration and in dollar terms, for the regular valuation.

Table 2

Valuation results as at 31 December 2015

	Valuation results surplus/(deficit)	
Economic assumptions	*As a percentage of pensionable remuneration*	*In United States dollar terms (millions)*
3.5/6.5/3.0 with 10-year 0.5 per cent participant growth (regular valuation)	0.16[a]	562.1

[a] The regular valuation as at 31 December 2013 revealed a deficit of 0.72 per cent of pensionable remuneration.

36. Table 3 provides the projected liabilities and assets of the Fund in dollar terms, as reflected in the regular valuation results as at 31 December 2015 and 31 December 2013, respectively:

Table 3

Projected liabilities and assets of the Fund

(Millions of United States dollars)

	31 December 2015	*31 December 2013*
Liabilities		
Present value of benefits:		
Payable to or on behalf of retired and deceased participants	30 852.4	29 113.7
Expected to become payable on behalf of active and inactive participants, including future new entrants	103 577.2	107 785.5
Total liabilities	**134 429.6**	**136 899.2**
Assets		
Actuarial asset value	52 467.8	46 205.1
Present value of future contributions	82 523.9	87 997.1
Total assets	**134 991.7**	**134 202.2**
Surplus/(deficit)	**562.1**	**(2 697.0)**

37. The consulting actuary stressed that care must be taken when considering the dollar amounts of the valuation results. The liabilities shown in the table above include those for individuals who have yet to join the Fund; similarly, the assets include the contributions for future new participants. The surplus or deficit indicates the future effect of continuing the current contribution rate, assuming that the actuarial assumptions are met each year in the future. The consulting actuary

pointed out that the actuarial surplus, when expressed in dollar terms, should only be considered in relation to the magnitude of the liabilities and not in absolute terms. The deficit of ($2,697.0) million under the regular valuation as at 31 December 2013 represents 1.97 per cent of the Fund's projected liabilities. The surplus of $562.1 million under the current regular valuation represents 0.42 per cent of the Fund's projected liabilities.

International Accounting Standard 26

38. At its fifty-seventh session, the Board decided to adopt IPSAS as the accounting standards for the Fund with effect from 1 January 2012. It further decided that the Fund's actuarial liabilities would be reported in accordance with IAS 26, "Accounting and reporting by retirement benefit plans", in the following manner:

- The actuarial present value of accrued benefits will be disclosed as a note to the Fund's financial statements
- The IAS 26 liabilities will be calculated every biennium, concurrent with the actuarial valuation schedule
- The IAS 26 actuarial information will be added to the valuation reports.

39. Table 4 provides the IAS 26 accounting and reporting information as at 31 December 2015. The actuarial present value of accumulated plan benefits as at 31 December 2015 shown in this disclosure is rolled forward using standard actuarial techniques based on the 31 December 2013 valuation results, and assumes that all economic and demographic assumptions will have been exactly met from 31 December 2013 onward.

Table 4

Plan accounting and reporting (IAS 26)

Actuarial present value of accumulated (promised) retirement plan benefits, as at 31 December 2015[a]

	If future pension payments are made:	
	Under regulations without pension adjustments	*Under regulations with pension adjustments*[b]
	(millions of United States dollars)	
Actuarial value of vested benefits		
Participants currently receiving benefits	22 941.3	32 839.4
Terminated vested participants	238.8	411.6
Active participants	12 637.9	18 694.8
Total vested benefits	**35 818.0**	**51 945.8**
Non-vested benefits[b]	1 279.2	1 589.5
Total actuarial present value of accumulated plan benefits	**37 097.2**	**53 535.3**

[a] At a nominal interest rate (investment return) of 6.5 per cent and an annual inflation rate of 3.0 per cent.

[b] Results include loadings for the two-track adjustment system.

View of the Committee of Actuaries

40. In its report to the Board (see paras. 51-56 below), the Committee of Actuaries noted that the results of the 31 December 2015 actuarial valuation revealed a surplus of 0.16 per cent of pensionable remuneration, an improvement over the deficit of 0.72 per cent of pensionable remuneration from the prior actuarial valuation. The Committee also noted that it was the first actuarial valuation showing a surplus after three consecutive bienniums reporting a contribution rate deficiency. The Committee was clear that, had it not been for the decision to change the normal retirement age and the transition to the alternative actuarial asset valuation methodology, a deficit would have continued to exist as at 31 December 2015. Over time, if investments did not report long-term results at or above the actuarial assumption of 3.5 per cent annual real rate of return, the deficit trend would return.

41. The Committee of Actuaries recalled its previous recommendation that it would be prudent to maintain an actuarial buffer (or "safety margin") of around 2 per cent of pensionable remuneration to offset the impact on the Fund's long-term solvency of financial market volatility, and to anticipate further maturing of the Fund. The Committee noted that the 31 December 2015 valuation results were well within that margin.

42. While the market value of the Fund's assets showed considerable volatility, the Committee of Actuaries noted that the asset smoothing method had performed as expected, mitigating much of the volatility. The Committee also noted that during 2014 and 2015 the investment return objective had not been achieved, which had offset the other positive factors on the financial health of the Fund. It was further observed that the margin representing the difference between market and actuarial asset values as at 31 December 2013 no longer existed as at 31 December 2015, and the market and actuarial asset values were now very close to one another.

43. The Committee further noted that demographic assumptions, including the reset of the period for forecasting mortality improvements through 2035, also drove the Fund's liabilities. The Committee informed the Board that additional analysis and updates in longevity assumptions would be required in the future, with the next full mortality experience review scheduled for 2017.

44. The Committee reviewed the funded status, which increased from 127.5 per cent at the previous valuation (based on the nominal 6.5 per cent interest rate used in the 31 December 2013 actuarial valuation) to 141.1 per cent at the current valuation, without application of the cost-of-living adjustments, and from 91.2 per cent to 100.9 per cent when considering those adjustments. The Committee noted that the cost-of-living adjustment assumed to apply annually to pension benefits had an impact of around 40 per cent on the funded status of the plan. The Committee will continue to monitor the funded status closely, in particular the impact of the cost-of-living adjustments.

45. The Committee of Actuaries will continue to review the evolving experience of the Fund. It will submit recommendations to the Board in 2017 on the assumptions to be used in the actuarial valuation of the Fund to be performed as at 31 December 2017, as well as its views on the sensitivity of the results to varying the assumptions in the 31 December 2015 actuarial valuation.

Statements on the valuation results

46. The statement of actuarial sufficiency prepared by the consulting actuary is reproduced in annex III to the present report. The statement indicates that:

> ... the actuarial value of assets exceeds the actuarial value of all accrued benefit entitlements under the Fund, based on the Regulations of the Fund in effect on the valuation date. Accordingly, there is no requirement, as of 31 December 2015, for deficiency payments under article 26 of the Regulations of the Fund. The market value of assets as of 31 December 2015 is $52,266.9 million. Therefore, the market value of assets also exceeds the actuarial value of all accrued benefit entitlements as of the valuation date.

47. The statement of the actuarial position of the Fund is reproduced in annex IV to the present report. In that statement, the Committee of Actuaries indicated that it had:

> ... reviewed the results of the actuarial valuation as of 31 December 2015, which was carried out by the consulting actuary. Based on the results of the Regular valuation, and after consideration of further relevant indicators and calculations, the Committee of Actuaries and the consulting actuary were of the opinion that the present contribution rate of 23.7 per cent of pensionable remuneration is currently sufficient to meet the benefit requirements under the Plan.

Conclusions of the Board

48. Clarifications were sought from the consulting actuary and from the representatives of the Committee of Actuaries on various aspects of the actuarial valuation results.

49. **The Board took note of the favourable valuation results reporting a surplus of 0.16 per cent. The Board reiterated the importance of continuing to earn the necessary 3.5 per cent annual real rate of return, both on a long-term basis for the future solvency of the Fund, and on a short-term basis so as not to reverse the upward trend in valuation results.**

50. The Board thanked the Fund secretariat and the consulting actuary for the extra effort required to complete the actuarial valuation in a limited time period. The Board also expressed its deep appreciation for the dedication and professional advice and service provided by John McGrath to the Fund and welcomed Tonya Manning and Stuart Schulman as consultants and actuaries from Buck Consultants LLC.

Report of the Committee of Actuaries

51. The Pension Board considered the report of the Committee of Actuaries as presented by the Committee's Rapporteur.

52. As summarized in paragraphs 40 to 45 above, the Committee reviewed the results of the 31 December 2015 actuarial valuation in detail and provided the Board with its observations and conclusions.

53. The Board was informed that the Assets and Liabilities Monitoring Committee had requested the Committee of Actuaries to provide suggestions for its consideration in respect of tools and methods it could use to monitor the financial

position of the Fund. The Committee of Actuaries had discussed the matter in detail. In view of the goals of the Assets and Liabilities Monitoring Committee, the Committee of Actuaries was of the opinion that the existing monitoring procedures, as summarized in its note, continued to provide the necessary information to the Pension Board to monitor the Fund's financial position. However, because the Assets and Liabilities Monitoring Committee would be able to focus solely on those matters, it was suggested that a more systematic, measured and detailed review of specific topics could be considered by that Committee for its meetings during the interim years between assets and liabilities monitoring studies. That would also provide additional support to the Pension Board in its oversight role when reviewing the short- and long-term financial status of the Fund. The Board was informed that the Committee of Actuaries had provided a note with its suggestions to the Assets and Liabilities Monitoring Committee, which would be taking up the topic later in 2016.

54. With respect to the Board's item on medical matters pertaining to Fund participation and benefits, the Committee of Actuaries noted that that was more of a human resources issue and agreed with the consulting actuary that, since the proposal would not lead to a significant change in the underlying practice, there should not be a significant effect on the financial position of the Fund.

55. The Committee of Actuaries considered the proposed changes to paragraph 26 of the pension adjustment system and agreed with the changes. The Committee took note of the improved monitoring and reporting on the two-track feature, which should help the Fund and the Board in the administration of the very complicated provisions of the pension adjustment system.

56. The Committee also took note of the analysis of the effects of currency fluctuations on the local currency track benefit, which indicated that the local currency track pension amounts should continue to be maintained at or near the targeted levels.

57. A member of the participants group noted that, while the assumptions for the next valuation would be discussed in the next session, the Committee of Actuaries should additionally consider the potential impact of the shift of staff from headquarters locations to shared services/low-cost service centres throughout the world.

58. The Pension Board acknowledged the latest overall appraisal by the Committee of Actuaries that the consulting actuary continued to consistently apply high professional standards and exceeded performance expectations.

59. **The Board took note of the report of the Committee of Actuaries and thanked the Rapporteur and the Committee of Actuaries for their service to the Fund.**

B. Membership of the Committee of Actuaries

60. The Board noted that the three-year terms of two regular members of the Committee of Actuaries, T. Párniczky (Hungary, representing the Eastern European States) and A. Scardino Devoto (Uruguay, representing the Latin American and Caribbean States) would expire on 31 December 2016. In addition, the two-year terms of the two ad hoc members, Klaus Heubeck (Germany, representing the Western European and Other States) and Carlos L. Nathal (Mexico, representing the

Latin American and Caribbean States), would expire on the same date. All four members had indicated that they would be prepared to continue to serve on the Committee should the Board decide to recommend their reappointment. The current membership of the Committee is set out in annex V.

61. The Board expressed its appreciation to the members of the Committee of Actuaries and decided to recommend to the Secretary-General that, in accordance with article 9 (a) of the Regulations of the Fund, Mr. Párniczky and Ms. Scardino Devoto be reappointed as regular members for terms of three years, and Messrs. Heubeck and Nathal be reappointed as ad hoc members for terms of two years.

Chapter V

Investments of the Fund

A. Management of the investments

62. The Representative of the Secretary-General for the Investments of the Fund introduced the report on the management of the Fund's investments and noted that all investments met the criteria of safety, profitability, liquidity and convertibility.

63. The Representative of the Secretary-General introduced the members of the Investments Committee, who were present for the joint meeting of the Board with the Investments Committee. The Representative of the Secretary-General also introduced the new Director of the Investment Management Division, Herman Bril.

64. The Representative of the Secretary-General reported that the Investment Management Division had weathered the market volatility of 2015 thanks to a disciplined approach of adhering closely to the Fund's strategic asset allocation targets. The Fund's conservative and risk-averse approach had resulted in capital preservation in a challenging period. As of 31 December 2015, the Fund was valued at $52,114 million. That represented a modest decline from the Fund's year-end record high of $52,820 million as of 31 December 2014. For the calendar year 2015, the Fund had achieved a nominal return of -1.0 per cent, slightly outperforming the policy benchmark of -1.1 per cent by 10 basis points, but below the 3.5 per cent real return target. While the Fund's performance had been down in the previous year, its value and returns were higher now.

65. As of 14 July 2016, the Representative of the Secretary-General noted, the Fund's year-to-date nominal return was 4.2 per cent and the its market value of assets was $54,247 million. That represented good progress in 2016 towards the Fund's 3.5 per cent real rate of return objective. Moreover, the market value of assets was higher than that reported for prior years. Specifically, the 14 July 2016 market value of assets of $54,247 million was approximately $1,427 million higher than the 31 December 2014 value of $52,820 million. In addition, the Fund had exceeded its long-term real rate of return objective over the last 20, 25, and 50 years through 31 December 2015.

66. In calendar year 2015, global equity had a return of -0.85 per cent, outperforming the MSCI All Country World Index benchmark return of -1.84 per cent by 99 basis points. The fixed-income portfolio had a return of -3.40 per cent, compared with -3.15 per cent of the Barclays Capital Global Aggregate benchmark, underperforming by 24 basis points. The strength of the United States dollar, 8.9 per cent appreciation against other major currencies, negatively affected the Fund's non-United States dollar positions across all asset classes. As a result, the currency impact was negative for calendar year 2015, with a contribution of -3.7 per cent.

67. Key contributors to the Fund's performance for the calendar year 2015 were a modest underweight in fixed income, security selection in public equities and positive contribution from the illiquid asset classes, that is, real assets and private equity/alternative assets. For the private equity and real assets, returns were reported on a lagged quarterly basis and as such might provide an imperfect comparison with their benchmarks. However, the private equity asset class since 2010 has contributed positively. The Fund is scheduled to increase exposure in

private equity and real assets, currently at 3 per cent and 7 per cent, respectively, by 2 per cent for each asset class. While the real assets return was lower than its benchmark, showing a 300 basis points underperformance, it did in fact generate a positive return of 11.9 per cent. Cash and short-term securities underperformed by 8 basis points, largely owing to currency effect.

68. The Representative of the Secretary-General reported that the strategic asset allocation and the policy benchmark had been updated on 1 August 2015 after conclusion of an asset liability management study. Such studies are conducted every four years. The investment policy statement was also amended in 2015 to include the new strategic asset allocation. The target weightings reflected in the current strategic asset allocation are expected to be achieved over the next four years. The target weighting for global fixed income was lowered from 31 per cent to 26.5 per cent, and the target weighting for global equity was reduced from 60 per cent to 58 per cent. The target weighting for real assets was increased from 6 per cent to 9 per cent. The alternative investments category was formally added to the strategic asset allocation as a new asset class with a 5 per cent target allocation. The target weighting for the cash and short-term asset class was lowered from 3 per cent to 1.5 per cent. The ranges for each asset class were also updated.

69. As at 31 December 2015, the allocation to global equities was 62.19 per cent compared with its target of 58 per cent. Allocations to the real assets and alternative investments asset classes were 6.6 per cent and 3.5 per cent, compared with new target levels of 9 per cent and 5 per cent, respectively. The overweight in equity is temporary owing to the current underweight positions in the equity-like alternative investments and real assets categories. Global equity is serving as a temporary substitute for alternative investments (mostly private equity) and real assets (mostly real estate) until the targets in those two asset classes are achieved over the next four years. The combined strategic asset allocation target weightings for global equity, alternative investments and real assets is equal to 72 per cent. The actual combined weighting of these three equity-oriented asset classes as at 31 December 2015 was 72.24 per cent, which was very close to the combined target. The allocation to global fixed income as at 31 December 2015 was 24.2 per cent, representing an underweight against the new target of 26.5 per cent. At 31 December 2015 the allocation to the cash and short-term asset class was 3.6 per cent, compared with the new target of 1.5 per cent.

70. Over the medium to long-term horizon, the active and methodical combination of asset allocation, regional allocation, stock selection and sound risk management has served the Fund well. The efforts of the Investment Management Division to achieve further diversification in alternative investments and real assets also contributed positively to the Fund's performance. The Fund exceeded its policy benchmark over the 10-year horizon, with a 10-year nominal return of 5.33 per cent as compared with the policy benchmark of 5.07 per cent.

71. Over the long-term horizon, the Fund has successfully achieved its long-term investment return objective, defined as the required actuarial assumption, which is currently a 3.5 per cent real rate of return. The Fund's real rate of return exceeded 3.5 per cent over the last 20, 25 and 50 years. The Fund achieved a real return of 3.9 per cent over the 50 years ending 31 December 2015.

72. The Representative of the Secretary-General noted that, while the reporting period for the Board meeting was the 2015 calendar year, it was also important to

provide an update on the Fund's performance in 2016, as it had been an unusual period for the global markets. For the first quarter of 2016, the Fund underperformed in relation to the policy benchmark by 85 basis points. Asset allocation accounted for 16 basis points of the underperformance, insofar as the actual weighting of the fixed-income allocation was lower than the target weighting in the strategic asset allocation. Equity, on the other hand, was modestly overweight. The remaining 69 basis points of underperformance derived from "manager value added", that is, security selection in total global equity, the duration and currency effects in fixed income and the currency effect in cash and short-term securities. The Fund is actively managed, so its performance may vary when compared with the policy benchmark, particularly on a near-term basis.

73. As at 30 June 2016, the Fund's market value of assets was $53.06 billion. The Fund underperformed for the first half of 2016 by 153 basis points (85 basis points for the first quarter and 50 basis points for the second quarter). The quarterly figures do not add up to the 153 basis points for the first half of the year owing to the time-weighted nature of the calculations. The Investment Management Division will continue working to provide additional attribution information on what helped and hurt the Fund's performance. During the 2016 Investments Committee meetings, there have been lengthy discussions related to attribution analysis and risk tools to analyse this underperformance. Much work is being done in this area and will continue. Additional information on attribution by asset class will be made available.

74. The North American portfolio is managed with an enhanced indexation strategy with relatively low turnover. If some stocks underperform, the Fund may continue to hold the positions if conviction remains intact. This may result in near-term underperformance at the asset class level.

75. The Representative of the Secretary-General concurred with the observation of the Board of Auditors that, while a lot was being done on risk measurement, more work was needed. More risk measurement and management tools for both ex-post (after the fact) and ex-ante (before the fact) analysis were being tested. The Representative of the Secretary-General acknowledged the need to fill the post of Director of Risk (D-1). She provided an update, noting that the post was about to be advertised.

76. The Representative of the Secretary-General also informed the Board that the United States dollar had appreciated by 8.9 per cent against other major currencies, which had negatively affected the portfolio (-3.7%). She acknowledged that that topic had been taken up by OIOS, the Board of Auditors and the Assets and Liabilities Monitoring Committee. Currency losses appeared in the 2014 and 2015 financial statements owing to the strength of the United States dollar. The 2015 financial statements, for example, showed both unrealized and realized currency losses. It was important to note that currency was a zero-sum game over longer periods of time, given the unrealized currency losses of the portfolio and the possibility that the strength of the dollar against other currencies might change course, as had happened frequently in history. The Representative of the Secretary-General shared a graphic comparing the Fund's returns over the past 10 years (first quarter of 2006 to first quarter of 2016) to the returns of the Fund's policy benchmark. The chart also demonstrated the minimal impact of currency on the Fund's returns over that period of time. She recommended against hedging at the

present time, noting that such action would lock in the unrealized losses and prevent the Fund from benefiting when the next leg of the cycle no longer favoured the United States dollar.

77. The Representative of the Secretary-General further reported that the realized currency losses often represented situations which had a net benefit to the Fund's returns. For example, the European portfolio had sold some stocks in 2015 at a profit, while also booking a foreign exchange loss.

78. The tactical asset allocation, as implemented by the Fund, represents a more narrow range for each asset class within the strategic asset allocation ranges. The key message is that the Fund is close to the targets provided in the strategic asset allocation. The Fund will gradually get even closer to the target weightings for real assets and alternative investments over the next four years.

79. In 2016, the Fund exited the strategy, which was classified as a hedge fund for accounting purposes. Proceeds were reallocated to equity until such time as they can be redeployed into private equity.

80. The Representative of the Secretary-General provided a brief summary of the regional equity portfolios within the global equity allocation, as well as a summary of the other asset classes. Private equity and real assets helped the Fund, given their strong contribution to performance in the calendar year. Diversification helped, since fixed income served as an "anchor" in periods of market decline such as August 2015.

81. The Fund is also diversified in terms of country exposure, with direct investments in 40 countries and investments (both direct and indirect) in over 100 countries. Investments in developing countries were increased during 2015. The book value (cost) of investments in developing countries increased by $336 million, from $5.521 billion as at 31 December 2014 to $5.857 billion as at 31 December 2015.

82. The Fund continues to work on environmental, social and governance issues, including climate change and restrictions on holding tobacco and armament securities. The Representative of the Secretary-General stressed the importance of serving the best economic interest of the Fund as a fiduciary in order to achieve the long-term real rate of return of objective of 3.5 per cent. The Fund received a ranking of A from Principles for Responsible Investing, an improvement from the B ranking for the previous year. The Fund also received a ranking of A from the Asset Owners Disclosure Project, an improvement from the D ranking for the prior year. The Asset Owners Disclosure Project measures climate disclosure reporting, while Principles for Responsible Investing has a broader focus.

83. On the subject of senior-level vacancies, the Representative of the Secretary-General reported that the post of Director of the Investment Management Division (D-2) had just been filled. The post of the Deputy Director, Chief Operating Officer was ready to be advertised. All other senior vacancies had been advertised or were about to be advertised, and would be addressed with the highest sense of urgency.

84. The Investment Management Division provides the Pension Board, the Audit Committee and the Assets and Liabilities Monitoring Committee with a detailed account of the Fund's performance and strategy through the blue book and the minutes of the Investments Committee. Blue book reporting is now on a quarterly

basis (best practice). The most recent blue book, which reports on the performance for the second quarter of 2016, is less comprehensive than what is prepared for other periods, because Pension Board meetings occur soon after the end of the second quarter; as such, most of the data are not yet available.

85. The Representative of the Secretary-General concluded her presentation by noting that the Fund had weathered the market volatility of 2015, thanks to a disciplined approach of adhering closely to the Fund's strategic asset allocation targets. The Fund's conservative and risk-averse approach resulted in capital preservation in a challenging period. The diversification efforts of the Investment Management Division contributed positively to the Fund's performance. The Fund exceeded its policy benchmark over the 10-year horizon, with the 10-year nominal return at 5.3 per cent, compared with the policy benchmark of 5.07 per cent. Over time, the Fund has successfully achieved the Fund's long-term investment return objective of 3.5 per cent real return. The Fund exceeded the 3.5 per cent target over the last 20, 25, and 50 years. The Fund achieved a real return of 3.9 per cent over the 50-year period ending 31 December 2015.

86. The presentation of the Representative of the Secretary-General was followed by comments by the Investments Committee.

87. The Chair of the Investments Committee reminded the Board that he had been a member of the Committee for 10 years. When he joined the Committee the Fund's assets were valued at approximately $25 billion; their value today is close to $54 billion. The value of the Fund's assets has thus more than doubled despite significant challenges such as a 70 per cent drop in the Standard and Poor's 500 index at the time of the great financial crisis of 2008.

88. Even with challenging objectives, the Fund's capital was preserved and its performance was good. Its cost-to-asset ratio, compared to that of other large pension plans, is among the lowest. Short- and medium-term volatility should not be confused with genuine long-term risks to the Fund.

89. The Fund's global, widely diversified and multi-currency portfolios make it a truly complex organization. The Fund's size and complexity entail contradictory and difficult objectives. The Fund's investment performance is good despite difficult market conditions. Its internal management model results in an investment-expense ratio among the lowest in the world. Over the long term, the Investment Management Division has achieved its investment objectives despite many disruptive market events, of which there are likely to be more in the future.

90. A substantial portion of the returns of the Fund will be determined by its strategic asset allocation. For this reason, it is important for the Fund to adhere closely to its strategic asset allocation. The investment policy statement and benchmark weights will determine the Fund's returns. It would be difficult for so large a fund to move very quickly in complex markets and to hope to substantially add value.

91. Those types of tactical trades are not appropriate for the Fund. However, market compressions could create long-term opportunities for the Fund. It can employ active management, but in a strategic manner. For example, an investment in currently depressed emerging markets may result in a significant opportunity in the long term. The Investment Management Division is already well positioned, with significant exposure to emerging markets. That type of long-term, well

thought-out investment is appropriate for Investment Management Division, while short-term tactical opportunistic trades are not.

Discussion in the Board

92. A Board member speaking in his personal capacity noted that there was a variety of views on how to interpret the recent underperformance of the Fund against its benchmarks, and stated that he was confused by that divergence. On the one hand, the members of the Investments Committee were of the view that the investment performance of the Fund was no cause for alarm, while on the other hand, the members of the Assets and Liabilities Monitoring Committee took a different view. He also noted the views of the members of the Assets and Liabilities Monitoring Committee who said that the Fund had no clear investment policy and questioned whether the investment policy satisfied the Secretary-General's fiduciary duty.

93. A representative of FAFICS noted that he had heard reports that the long-term health of the Fund was sound, but he had real concerns about short-term returns. The 153 basis point underperformance relative to the Fund's policy benchmark for the first half of 2016 was cause for concern. He referred to the attendance of Investments Committee members at the last four meetings and the level of detail provided in minutes of meetings of the Investments Committee, including the absence of specific recommendations by the Committee. The representative asked if more activity-based tactical asset allocation could be expected.

94. The governing bodies thanked the members of the Investments Committee for their participation over the years and, recalling 2008, expressed additional appreciation for the Committee's guidance in securing the Fund's future. The group expressed concerns about the Fund's recent performance, namely the possible trend of the Fund underperforming in relation to its benchmarks. The governing bodies also sought the Committee's opinion on whether the investment policy statement was clear, and if it demonstrated fiduciary duty.

95. The governing bodies also requested the opinion of the Chair of the Investments Committee on whether the Committee was properly composed with respect to geography and gender. The group wished to come away with confidence that the Fund's future was being secured. A member of the group reiterated that she would like a third-party independent consultant to review the Fund's operations and performance.

96. Several members of the Board, FAFICS and the governing bodies urged the Representative of the Secretary-General to fill all vacancies in the Investment Management Division immediately, since having posts unfilled represented a risk to the Fund.

97. The Representative of the Secretary-General updated the Board on the status of vacancies in the Investment Management Division, especially the five senior positions. Of those five posts, the D-2 (Director) was filled; the D-1 (Chief Operating Officer) was encumbered on the basis of a temporary job opening; the P-5 position (Global Emerging Markets Senior Investment Officer) had been advertised and would be closed to applications shortly. The remaining senior positions would be advertised very soon. The Representative of the Secretary-General thanked the

Under-Secretary-General for Management for extending assistance in expediting advertisement of the senior positions.

98. FAFICS thanked the members of the Investments Committee for their contributions. A member, speaking on behalf of the FAFICS delegation, expressed his concerns about the Fund's underperformance in calendar year 2015 and the first half of 2016 relative to the policy benchmark, in particular the Fund's underperformance by 153 basis points from 1 January to 30 June 2016, noting that it translated into a shortage of approximately $750 million to $800 million, which could have been minimized or completely avoided if the Fund had stayed within its benchmarks.

99. FAFICS also noted that the 30 March 2016 performance data showed that all equity and fixed-income portfolios had underperformed in relation to their benchmarks for the quarter. If the Fund continued to have bad short-term returns, it might not be sustainable in the long term. He requested input from the Investments Committee.

100. With regard to meeting minutes, FAFICS found the minutes of the last four Investments Committee meetings to have been inconclusive with respect to tactical asset allocation. While FAFICS understood the Fund's move towards strategic asset allocation, it would like the minutes to reflect and document suggestions on tactical asset allocation. FAFICS, noting that manager value added had been negative for the first half of 2016, wished to know if the Investments Committee expected a turnaround in performance in the second half of the year. FAFICS also inquired about the Japanese yen position in the fixed-income portfolio.

101. The Chair of the Assets and Liabilities Monitoring Committee thanked the Investments Committee for its participation. He said that he had to report to the Board on where the Fund stood and its total portfolio risk. He requested the Committee's inputs so that he could advise the Board on what action it should take.

102. The governing bodies thanked the Investments Committee members for the valuable service they provided to the Fund. A representative of the governing bodies noted that in the short- and medium-term horizons for the period ending 31 December 2015, the 3.5 per cent real return objective had not been met by the Fund, while other pension funds had met theirs. She requested the Investments Committee's opinions and suggestions as to possible corrective actions the Fund could consider to address the underperformance. She also asked if companies had sustained losses during the Brexit period, what measures had been taken during that event and what the Fund should do henceforth.

103. With regard to Investments Committee meetings and participation, she noted that last year, only half of the IC members attended most Investments Committee meetings, and she sought the IC's opinion on whether more members were needed and noted that the Investments Committee's presence is extremely important.

104. The Chair of the Investments Committee spoke about the role of the Committee. He stated that the Committee served purely in a non-fiduciary, advisory capacity. Its primary objective was to give macroeconomic views and provide input on investing. The Committee did not approve transactions, but had a deep level of engagement with the Investment Management Division.

105. The Chair of the Investments Committee stated his belief that the Investment Management Division had strong governance, which helped with oversight of the Fund. Everyone should be proud of the long-term performance of the Fund and of the staff of the Investment Management Division. The Fund had a very low cost-to-assets ratio. Since markets continued to be in turmoil, and investing was unpredictable, the Investment Management Division should not take short-term tactical asset allocation views.

106. The Chair of the Investments Committee said that a performance time frame of 5 to 10 years was relevant for a fund the size of the Pension Fund. Investing for the Pension Fund was a dynamic process. With low inflation, central banks were working hard to prevent their economies from slipping into deflation. The current period was an unusual one, characterized by very low or negative bond yields, zero per cent or negative returns on cash and very low expected returns on investments in bonds. Other sources of returns should be sought. The Investments Committee believed that allocations to private equity, real estate and perhaps high-yield investments should be increased. Volatility and risks would continue to be present in the markets. Consequently, any six-month, one-, two- or three-year period of underperformance by the Fund should not be viewed negatively.

107. The Chair reiterated that a lot of time had been spent discussing the fixed-income portfolio in the recent meeting of the Committee. The past six months had been one of the most challenging periods he had ever seen for the fixed-income markets. Overall he thought that a reasonably good job had been done, given the size and complexity of the Fund, noting that the Fund's value now stood at $54 billion and that it was fully funded.

108. A member of the Investments Committee said that, since he had joined the Assets and Liabilities Monitoring Committee a year and a half ago, interaction over the strategic asset allocation had become more intense. In 2011, the Fund's performance had been worse than in 2015, yet the Pension Board's reaction then had not been nearly as negative as it was now. He said that performance differences from benchmarks were due to the low interest rate environment. He emphasized the importance of focusing on long-term performance because the current market situation was not only difficult, but might also persist for a period of time.

109. With regard to the investment policy statement, he said that the Fund had always had one and continued to operate well under the current one. He said that the Representative of the Secretary-General had been polite to the Board by waiting until after the Board meeting to sign the document in order to ensure that the Board had an opportunity to provide observations and suggestions on the investment policy. There was a need to both measure and manage risk. With regard to the concern of the Assets and Liabilities Monitoring Committee about managing risk, he noted that that had been done with regard to Brexit since close adherence to the strategic asset allocation targets had minimized the Fund's exposure to the risk posed by that event. When asked about the Fund's overweight position in cash and short-term assets, the Investments Committee member confirmed the appropriateness of the cash holding.

110. On the question of whether a third-party analysis should be conducted, he suggested that first, the investment policy statement should be signed and put in place and vacancies should be filled. After that, the Fund should wait one year before considering any third-party review. The Fund should follow the strategic

asset allocation and should set risk management constraints. The member recommended additional use of ex-ante risk management and emphasized the long-term nature of the Fund.

111. A member of the participants group thanked the members of the Investments Committee and acknowledged their contributions. He said that he enjoyed reading the minutes of the Committee meetings. He referred to paragraph 3 of the minutes of the meeting held in May 2015, when the acting Chair of the Committee had said that "the Committee should provide guidance to management by means of comments on leadership, operations and structure". He wished to know if that was being done. He inquired about the level of participation of Committee members (number of quarterly meetings attended per year).

112. The Chair of the Investments Committee said that the Committee's engagement with Investment Management Division staff had increased significantly. There was greater emphasis on return attribution and how risk measurement was incorporated into risk management. The Committee was not an investment decision-making group, but more of an advisory body. Committee members participated in meetings on a pro bono basis, as much as they could, but at times might be unable to attend owing to work or family obligations.

113. The participants group asked the Investments Committee for its opinion on how the Fund should be positioned, given the negative interest rates and the level of United Sates debt; whether the Fund should hold cash; and if the Fund's current positioning was appropriate.

114. An Investments Committee member agreed that those were complex questions. He said that the position of the Fund was appropriate. Even if from a "financial math" perspective, and given current volatility, it seemed to make more sense to increase allocations to equity, it should be borne in mind that bonds, which currently had negative yields, served as an "event hedge" against unexpected events. A cash position was needed so that the Fund had room to manoeuvre and could fund any investment opportunities.

115. The governing bodies asked in what investment areas the Investment Management Division could benefit from having additional Investments Committee members, and whether having more ad hoc members would be helpful.

116. The Chair of the Investments Committee responded by first noting that, with the objective of meeting the 3.5 per cent real rate of return in the long term, he would suggest a focus on non-governmental fixed-income securities, higher yielding bonds or real assets or private equity. Consequently, an Investments Committee member with expertise in the relevant areas would be helpful.

117. The executive heads requested the Representative of the Secretary-General to explain the $160 million difference between the figures for the total value of the Fund at 31 December 2015 in the report on the management of the investments ($52,114 million) and the asset detail by country ($51,954 million).

118. The participants group noted that the MSCI benchmark included tobacco, while the Fund was restricted from investing in tobacco. The group wanted to know how that was being addressed. Alternatively, if the Fund had a benchmark that was not aligned with the Investment Management Division's policies, then the Fund should then just focus on the 3.5 per cent real return. The group also wanted an

explanation for the downward trend in the Fund's performance and a quantitative measure of the trend, as it was still not clear.

119. A member of the participants group noted that the value of exchange-traded funds appeared to be growing, and inquired whether they were just a place holder. She wanted to know the return the exchange-traded funds were adding to the Fund, and if those funds included investments in tobacco and armaments. She noted that 8.5 per cent of the North American portfolio was invested in exchange-traded funds.

120. A member of the participants group noticed that the previous year's agenda had included an item called risk management report, but for the current year that report and other related documents had not been provided. The group suggested that the Investment Management Division display information in a better format by using tables, bullet points and figures, and requested information on exposure by sector. The group inquired whether returns against benchmarks were reported gross or net of fees.

121. A member of the participants group referred to the 20 additional positions that had been approved for the Investment Management Division in the 2014-2015 budget. She said that there was no point having them if they could not be filled. She noted the huge risks presented by having those positions vacant.

122. The Representative of the Secretary-General provided an update on the Fund's market value. As of 14 July 2016, the Fund's market value was $54,247 million, and the nominal year-to-date return was 4.2 per cent.

123. The Representative of the Secretary-General clarified the difference between the two figures reported as the value of the Fund in December 2015 (see para. 117 above). The $51.95 billion was an IPSAS accounting figure. The $52.11 billion was based on standard market pricing, consistent with global investment performance standards and benchmark reporting, provided by the Master Record Keeper, Northern Trust.

124. The Representative of the Secretary-General remarked that an aspect of the report of the Assets and Liabilities Monitoring Committee could be misinterpreted, because it referred to underperformance of the Fund against the policy benchmark since the end of 2014. As specified in the report on the management of the investments, as of 31 December 2015, the Fund outperformed its policy benchmark for the 2015 calendar year by 10 basis points. For the first half of 2016, the Fund did underperform in relation to its policy benchmark by 153 basis points. The Investments Committee discussed the underperformance at length at its May and July 2016 meetings. More efforts have been made to conduct both ex-post as well as ex-ante risk analysis to explain this underperformance. More attribution analysis will be provided in the blue book on an ongoing basis. Significant time has been spent with staff and external parties to provide relevant input to the Investments Committee. The Committee has also shared additional information on this subject with the Investment Management Division. Some of these suggestions and observations were shared in the presentation of the Representative of the Secretary-General.

125. The Representative of the Secretary-General confirmed that the Fund's most important objective was the actuarial assumption (currently a 3.5 per cent real return target), and noted the Fund's good progress towards reaching that objective so far in 2016.

126. The Representative of the Secretary-General clarified, after checking with the master record keeper, that performance returns at the Fund and asset class level were reported on a gross basis, except for the private equity and real assets, which were reported on a net basis, consistent with the industry standard.

127. In response to a question asking if a list of bank and finance stocks was available, the Representative of the Secretary-General confirmed that sector analysis was normally provided in the blue book. She said that reporting had been standardized to a quarterly basis. She further clarified that the current blue book, which reported on the second quarter of 2016, was brief in comparison to the previous quarter because the current year's Pension Board meeting occurred so soon after the end of the second quarter; as such, most of the data were not yet available. The Representative of the Secretary-General confirmed that information on sector analysis on bank and financials would also be provided at a future date.

128. A representative of FAFICS reiterated its main concern about the Fund's underperformance against the policy benchmark, and also against the investment objective of 3.5 per cent real rate of return. He reiterated his question as to what was being done to rectify the 153 basis point underperformance of the Fund relative to the policy benchmark. He recalled the presentation of the Representative of the Secretary-General, which attributed the underperformance of 153 basis points to stock selection and manager value. He said that he understood and appreciated the fact that lengthy discussions had been held with the Investments Committee. However, on the basis of the Committee's minutes, FAFICS felt that there was not significant time spent during Committee meetings on discussion of tactical asset allocations in the portfolio. It was difficult to identify in the minutes what specific recommendations the Committee had made.

129. The representative of FAFICS also expressed concern about short-term underperformance. In particular, figure 4 of the report on the management of the investments showed that the Fund did not meet its 3.5 per cent real rate of return objective in the 1, 3, 5 and 10-year period as of 31 December 2015; and just barely over the 15 year time horizon. Future disappointing returns could cause the Fund to fail to meet the long-term objective in the 15-year time horizon as well. That would make a big difference and have planning implications. He hoped for a turnaround in the Fund's performance by the end of the year, both in nominal and real returns. He asked what was being done to improve the Fund's performance.

130. The governing bodies expressed their concern over the Fund's underperformance against the policy benchmark for the first half of 2016. They requested more information to explain it. One way, as suggested in the report of the Assets and Liabilities Monitoring Committee, would be for the Investment Management Division to provide more reports on fluctuations in trends.

131. Both FAFICS and the governing bodies reiterated their concern about the four senior post vacancies. FAFICS suggested that those senior posts be filled by the end of the year. The governing bodies asked the Representative of the Secretary-General what difficulties were being encountered in filling those posts.

132. The Representative of the Secretary-General said she that would aim to have the senior post vacancies filled by the end of the year. In consideration of any unforeseen delays, she fully expected to have them filled by 31 March 2017.

133. A representative of the governing bodies, speaking in his personal capacity, questioned the Fund's underperformance relative to the policy benchmark. In particular, he wanted to know if the Investment Management Division was providing reports related to the top winners and losers, as mentioned in two previous Board sessions. He remarked that the reporting would be more useful if 10 to 15 winner and 10 to 15 loser positions were listed in the blue book, including details of how those results, positive or negative, had been achieved. That would have the benefit of documenting "lessons learned" for both the Investment Management Division and the Board. The Representative of the Secretary-General confirmed that the top 10 list had been added to the blue book the previous year and would be supplemented going forward to include an attribution comment for each position.

134. The Representative of the Secretary-General reiterated that the Investment Management Division was working on improving performance attribution reporting to obtain a more detailed breakdown of positive and negative contributors. Several versions of those attribution reports had been reviewed at the past two Investments Committee meetings, with some of the content of those reports already incorporated in the presentation of the Representative of the Secretary-General to the Board. The Investments Committee had given feedback to the Representative of the Secretary-General and the Investment Management Division at the July 2016 meeting on further development of attribution reports, including trends. In future, some of those reports would be included in the blue book.

135. The Representative of the Secretary-General reiterated that performance relative to benchmark tended to vary from one quarter to another and should be viewed on a long-term rather than a near-term basis. She acknowledged the Fund's underperformance against policy benchmark in the first half of 2016. She stressed the Fund's encouraging year-to-date results in relation to the 3.5 per cent objective.

136. The Representative of the Secretary-General noted that it was a period of unusual volatility and the Fund's portfolios had relatively low turnover. If there is strong conviction on specific positions, the Fund will hold them and not trade them. These positions may, in the short term, show underperformance. This is not uncommon, for example, in periods when speculative stocks rally. The Investment Management Division holds quality names, and these securities tend to rebound over time. Any underperformance by the Fund is discussed with the Investments Committee.

137. The Representative of the Secretary-General recalled the Board of Auditors' report, which was prepared during the Brexit period and fell on the heels of the May 2016 McKinsey report stating that pension funds might be using overly optimistic future return assumptions. The Board of Auditors recommended that the Fund use tactical asset allocation at times like that, a view which the Representative of the Secretary-General did not share because it could cause allocations to stray further from strategic asset allocation target asset class weightings and increase risk in case of an unpredictable Brexit event.

138. In response to the FAFICS query regarding the Fund's actions to rectify its underperformance for the first half of 2016, the Representative of the Secretary-General stated that "adjust" would be a more applicable term than "rectify". The Fund's underperformance against the policy benchmark in 2016 was being monitored and managed.

139. In terms of specific actions taken, the Investment Management Division had been reducing risk relative to the benchmark by reducing active bets, which had the effect of lessening the active management strategy. The Representative of the Secretary-General concurred with the recommendation of the Investments Committee that the Fund remain as close as possible to the stipulated benchmarks for each asset class and take less active risk since there was more uncertainty in the current market environment. The Fund was actively managed and was migrating closer to its benchmarks. The North American equity portfolio used enhanced indexation, that is, a portion of the portfolio was constructed like an index, but for the remaining portion, active management of stock selection was employed.

140. The Representative of the Secretary-General further responded to the FAFICS question about how underperformance was being rectified or addressed. She noted that the duration of the fixed-income portfolio had been extended in the second quarter of 2016 to be closer to the duration of the fixed-income benchmark, the Barclays Capital Global Aggregate Index. (Duration is a measure of the sensitivity of the price of a fixed-income investment to a change in interest rates, expressed as a number of years.) Prior to that, the duration of the Fund's fixed-income portfolio had been shorter than the duration of the fixed-income benchmark, since a rise in interest rates had been expected and would have resulted in a decline in value. As a result, there should have been less of a difference between the performance of the fixed-income portfolio and its benchmark in the future. That had been a difficult decision to make. As the widely anticipated rate hike had not yet occurred, the decision might appear to be counterintuitive. However, given the uncertainty of when a United States interest rate hike might now occur, the Investment Management Division duration was now closer to the benchmark.

141. The Representative of the Secretary-General clarified that the Investments Committee minutes did not specifically include the tactical asset allocation. However, she wished to show that she was responsive to the query. A document called the summary of decisions captured the tactical asset allocation as discussed and decided in the Investments Committee meeting. As the Investment Management Division did not necessarily take any actions immediately after the recommendations of the Investments Committee, the summary of decisions was not reflected in the minutes. The summary of decisions was generally finalized shortly after the conclusion of any Investments Committee meeting. The Representative of the Secretary-General further clarified that the tactical asset allocation had not changed in several quarters. The decision to keep it unchanged had always been done with the input of the Investments Committee. In consideration of that matter, the Representative of the Secretary-General would suggest to the legal officer that the summary of decisions be attached to the Investments Committee minutes.

142. In response to the FAFICS query about who monitored the Fund's performance, and particularly, if the Investments Committee did monitoring, the Representative of the Secretary-General clarified that the Investments Committee was an advisory body and monitoring was not part of its mandate. The Representative of the Secretary-General confirmed that she would provide monitoring and attribution reports on the Fund's performance to the Board.

143. The Representative of the Secretary-General welcomed the question on how the Board could assist her. She confirmed that the Board's inputs were helpful. The Director's arrival had certainly helped, for example, with capacity issues in view of

the high volume of meetings at the United Nations. She suggested it would be helpful for the Board to consider time constraints and to identify when the presence of the Representative of the Secretary-General was and was not needed. That would enable more efficient use of her time.

144. On the subject of benchmarks and restricted investments components, such as tobacco and armaments, the Representative of the Secretary-General noted that benchmarks could be modified to exclude such securities. If this was done, the new benchmarks should be linked to the next assets and liabilities monitoring study. The investment policy statement should also be updated accordingly if such benchmark changes were adopted.

145. The participants group recognized and thanked the Investment Management Division staff for its time, work and contributions. The group wished to understand where the unrealized loss of 1.0 per cent for the calendar year 2015 reporting period came from. They also wished to understand the added value of the Fund's investments in exchange-traded funds as well costs associated with those investments.

146. With regard to exchange-traded funds, the Representative of the Secretary-General said that perhaps exposure could be reduced as further staff was added. The cost of internal management could in fact be lower than that of investing in exchange-traded funds. Those funds were periodically used to access certain markets, if access was needed quickly, because the potential profits of the investment could outweigh the higher cost of the use of such funds. She cited a recent example of such use to access the Canadian stock market, where profits were made and the Canadian equity exposure was later migrated to internal management. Over time, investment in exchange-traded funds, as a portfolio management tool, might be used less.

147. The Representative of the Secretary-General further clarified that existing exchange-traded fund investments might have modest exposure to stocks that the Fund was restricted from owning, namely, tobacco and armaments stocks. Those restrictions were one of the reasons why the Fund was internally managed, and one more reason to reduce the use of exchange-traded funds over time.

148. The executive heads thanked the Investment Management Division staff for their excellent work. They understood that some exchange-traded funds had investments in tobacco and armaments, both of which the United Nations was restricted from investing in, and asked the Representative of the Secretary-General to quantify that, which she agreed to do (see para. 162 below).

149. The Representative of the Secretary-General said that in the prior budget period, the Investment Management Division had incurred savings of approximately $4 million from reduction in the use of non-discretionary advisers. At that point, she did think it wise not to reduce it further, because of lack of resources. That could be revisited in the future, however, after staff capacity of the Investment Management Division had increased.

150. The governing bodies recalled the Investments Committee members' comments that with current market volatility, it was not the time to use tactical asset allocation. They wished to understand, however, why was there still underperformance when the Fund followed the benchmarks so closely.

151. The governing bodies wished to follow up on the issue of performance reporting. Despite all of the information received, they felt that the existing reports still had room for improvement. They suggested that that might be something the Assets and Liabilities Monitoring Committee could work on; perhaps the Committee could develop a reporting format that would be more beneficial to the Board in understanding investments.

152. The executive heads asked, if the Fund was not currently using tactical asset allocation, would that imply that the Fund was not making any bets.

153. The Representative of the Secretary-General clarified that Fund continued to use tactical asset allocation, reflecting strategies for a given asset class that were different from the target weighting or the benchmark for that asset class. The Fund had tactical asset allocation ranges that were narrower than the strategic ranges. Any significant difference or variance from the benchmark for a given asset class was for a specific reason, based on strong conviction.

154. The governing bodies referred to the risk map, in particular the "red zone" representing the maximum acceptable level of risk the Fund could be exposed to. They wished to know what action the Investment Management Division would take if the red zone limits were exceeded.

155. The Representative of the Secretary-General discussed risk budget and risk tolerance zones. The risk budget is updated periodically and provides boundaries or warning signals. It was updated as of 1 January 2016 to reflect the new strategic asset allocation. As a result, the overall risk budget is more conservative and more limited than the previous version. It is monitored on a frequent basis.

156. The Representative of the Secretary-General then described action taken if risk limits are approached or exceeded, and who is involved. When the yellow zone, which is one standard deviation, is hit or exceeded, the risk team alerts and discusses this with the relevant portfolio manager, and if needed, modest adjustments or rebalancing are done. Turnover at the portfolio level is low (typically 20 per cent to 25 per cent at most). If the yellow zone, or one standard deviation, is exceeded, the risk team informs portfolio managers and the Representative of the Secretary-General for action to be taken.

157. On the question of the tactical asset allocation as documented in the summary of decisions being appended to the Investments Committee minutes (see para. 141 above), FAFICS, noting that the minutes were always subject to verification and therefore received several months later, referred to the investment policy statement framework as an alternative. Once the tactical asset allocation was finalized, it could be shared with the master record keeper, after which the Board could receive it. The Representative of the Secretary-General confirmed that she would post the updated summary of decisions on the Investment Management Division's website.

158. The Representative of the Secretary-General confirmed that two conference room papers had been distributed. The first provided responses to questions on the report of the Assets and Liabilities Monitoring Committee. The second summarized responses to questions on the membership of the Investments Committee and the management of investments.

159. The Representative of the Secretary-General provided an update, noting that the actuary confirmed that the Fund was fully funded at the close of 2015.

Subsequently, as at 14 July 2016, the market value was $54.247 billion, representing a 4.2 per cent year-to-date nominal return. That was good progress towards the 3.5 per cent real rate of return objective, and represented an increase of $1.9 billion in relation to the 31 December 2015 market value figure. She reiterated that returns were time-dependent and stressed the importance of looking at performance reports over a long period of time, since the Fund's liabilities and long-term objective were long-term. Quarter-to-quarter figures may fluctuate and it is better to view performance over full market cycles.

160. For attribution for calendar year 2015, the Fund outperformed its policy benchmark by 10 basis points. For 2016, it underperformed by 85 basis points for the first quarter, 50 basis points for the second quarter and 153 basis points for the first half.

161 For the first quarter of 2016, the 85 basis points underperformance was attributed to 16 basis points from asset allocation and 69 basis points for manager value added (negative effect). The 16 basis points asset allocation effect was further broken down to underweight in fixed income (-10 basis points) and overweight in public equities (-11 basis points), with private equity and real assets as positive contributors (+5 basis points). The 69 basis points manager value effect was due to security selection in global equity, duration and currency effects in fixed income and currency effects in cash and short-term assets.

162. On the subject of tobacco and armaments investments that reside in exchange-traded funds, the Representative of the Secretary-General clarified that not all exchange-traded funds have tobacco and armaments components. They are commingled funds and, as such, the Fund cannot control their investment guidelines.

163. The Chair of the Assets and Liabilities Monitoring Committee thanked the Representative of the Secretary-General. He reiterated that it was imperative to have analysis of underperformance.

164. A representative of the governing bodies commented in his personal capacity that it was essential for the Assets and Liabilities Monitoring Committee and the Investment Management Division to have a productive working relationship. One of the objectives established for the Assets and Liabilities Monitoring Committee was to gain an understanding of the more detailed aspects of investments from the Investment Management Division and report its observations to the Board in summary form. He suggested that reports to the Committee be clearer. Another member of the Board concurred and added that the Assets and Liabilities Monitoring Committee requested more detailed reports from the Investment Management Division because Committee members had concerns. The Board hoped for more communication with the Investments Committee. If responses to questions were clear to the Assets and Liabilities Monitoring Committee, the time spent discussing investments in the Board would be shorter.

165. The Chair of the Assets and Liabilities Monitoring Committee reiterated that it was imperative to have attribution analysis of underperformance. There was no evidence in the Investments Committee minutes that the Committee made tactical recommendations. He encouraged more frequent attendance by Investments Committee members at meetings of the Assets and Liabilities Monitoring Committee. He said that he was pleased that the investment policy statement was

signed. He noted that the Representative of the Secretary-General had agreed to a third-party review, and that results of the review should be available to the Board by July 2017. He recommended that the Assets and Liabilities Monitoring Committee prepare the terms of reference for the review and consult with the Representative of the Secretary-General. He noted that the Representative of the Secretary-General had said that she would make every effort to fill all the vacancies by March 2017.

166. A member of the Board expressed concern about performance in the short term. She asked how the Representative of the Secretary-General had managed the short-term spikes during the time the D-2 Director post had been vacant and reiterated the need for attribution analysis.

167. The Representative of the Secretary-General said she intended to provide more information to the Assets and Liabilities Monitoring Committee and the Board. She noted that the format and content of the blue book had been significantly improved over the past two years. She concurred with the Board's comments on vacancies.

B. Membership of the Investments Committee

168. The Pension Board was informed by the Representative of the Secretary-General that the appointments of the following regular members of the Investments Committee would expire on 31 December 2016: Linah Mohohlo (Botswana); Simon Jiang (China); Achim Kassow (Germany); Madhav Dhar (India); Nemir Kirdar (Iraq); Masakazu Arikawa (Japan); Gumersindo Oliveros (Spain); and Michael Klein (United States of America).

169. The Board took note of the proposal of the Secretary-General to extend the appointments of those members for a three-year term, beginning 1 January 2017, as well as the proposal to appoint Luciane Ribeiro (Brazil) as a new regular member of the Committee for a three-year term, beginning 1 January 2017.

170. The Representative of the Secretary General pointed out that factors such as geographic representation, industry expertise and gender balance were taken into consideration when seeking potential Investments Committee members. She said that additional regular and ad hoc members could be considered. She noted that the Investment Management Division could benefit from the addition of Committee members with experience in areas including, but not limited to, private equity and real estate.

171. The Representative of the Secretary-General informed the Board that she anticipated a vacancy at the end of the year and would provide a subsequent update on the replacement of that member. She also said that efforts were being made to identify an Eastern European member.

Discussion in the Board

172. FAFICS was pleased to see that the membership terms were in accordance with the terms of reference for the Committee and that there was geographic and gender representation. The group expressed appreciation for the participation of the Investments Committee in the meeting and would like the Investments Committee members to spend more time with the Board to address additional questions/ concerns at future Board meetings.

173. A representative of the governing bodies expressed concern about the low attendance of members of the Investments Committee at meetings of that committee. The governing bodies recognized the fact that the members were high-level individuals with competing engagements; however, their attendance was very important so that the Investment Management Division could benefit from their expertise. They also reiterated the need for representation of all regions of the world and asked the Representative of the Secretary-General to convey their concerns about attendance to encourage increased participation in the future.

174. On the subject of Investments Committee membership, an executive heads member noted that Committee members could serve on the Committee for up to 15 years and that the Chair had already served for 10 years. The governing bodies requested a breakdown of the number of years each member had served to get a full picture of the composition of the Committee in the near future. The Representative of the Secretary-General informed the Board that an analysis had already been done and that it would be made available to the Board.

175. FAFICS noted the progress being made in getting representation from regions such as Latin America, and would like to see Eastern European representation. Provisions on membership specified in section C of the Investments Committee terms of reference should be included in future documents on Committee membership.

176. With respect to the possibility of increasing the number of regular members to more than nine, the executive heads noted that the terms of reference were not clear and might merit revision.

177. The Representative of the Secretary-General said that she was open to increasing the number of both regular and ad hoc members, should specific additional expertise be required in the future. She added that the terms of reference might already allow it, and that she would consult with the Office of Legal Affairs of the Secretariat.

178. The participants observed that the Committee would benefit from ad hoc members. They endorsed the proposal for nine regular members and suggested finding a member from Eastern Europe.

179. The executive heads supported the renewal of the eight regular members and the appointment of the new regular member from Brazil. They said that they would like to see continued efforts with regard to geographic representation and gender balance. They also supported having more ad hoc members and recommended reinforcing the Committee with expertise in the area of private equity and emerging markets.

180. **The Board took note of the Secretary-General's proposal regarding the membership of the Investments Committee.**

C. Investment policy

181. The Representative of the Secretary-General reported on the investment policy statement. The purpose of the statement is to record the principles that guide the Representative of the Secretary-General in the investment of the Fund's assets and the Investment Management Division in the management of the Fund's investments.

These principles include the Fund's return objectives, risk measures and strategic asset allocation policy.

182. The investment policy statement is a living document, which is reviewed and approved by the Representative of the Secretary-General on a periodic basis considering the advice of the Investments Committee, the observations and suggestions provided by the Pension Board and the results of the assets and liabilities monitoring study.

183. The investment policy statement was amended in 2015 to reflect the strategic asset allocation resulting from the recently completed assets and liabilities monitoring study. The statement was reviewed by the Investments Committee in May 2016 and by the Assets and Liabilities Monitoring Committee in June 2016. The key enhancements made to the version of the investment policy statement presented to the Pension Board at its sixty-third session include: (a) an updated strategic asset allocation; (b) an updated risk budget; (c) inclusion of policy benchmarks; and (d) updated wording to describe the actuarial return assumption (currently a 3.5 per cent real rate of return).

184. FAFICS took note of the investment goals in the document and said that the wording "at least meets" lowered the bar too much.

185. The executive heads referred to section 6, paragraph 10 of the statement, which states that the Fund's investment goal is to achieve the highest possible return. They believe that the statement should include numeric reference to the 3.5 per cent long-term real rate return in its main part and should clarify or provide the definition of "long-term horizon".

186. The Representative of the Secretary-General proposed to include numeric reference to the 3.5 per cent real return as an annex to the main document, which would provide flexibility: if the actuarial assumption was changed in the future, the investment policy statement would not need to be updated. Instead, the annex would be replaced.

187. After discussion with the consulting actuary, Buck Consultants, the Representative of the Secretary-General clarified that "long term" was defined as a period of 10 years or more. She also raised the point that "long term" may be used in a different context for the Fund's assets and liabilities, respectively. For example, on the liability side, the duration of the open group is approximately 40 years.

188. In response to a question whether the Investments Committee had reviewed the investment policy statement, the Representative of the Secretary-General confirmed that, from 2015 to the present time, the Investments Committee had actively reviewed and edited the statement The Committee was in agreement with the revised investment policy statement submitted to the Board.

189. The participants group supported adoption of the investment policy statement by the Representative of the Secretary-General.

190. FAFICS supported adoption of the investment policy statement by the Representative of the Secretary-General. Now that there was clarity on the investment policy statement, FAFICS hoped that there would be clarity on the tactical asset allocation as well. FAFICS wished to see tactical recommendations included in the Investments Committee minutes once the Representative of the Secretary-General finalized the tactical asset allocation ranges. That information

should be provided in a timely manner following the end of each Investments Committee meeting.

191. The Representative of the Secretary-General agreed to post the summary of decisions on the Investment Management Division website after each Investments Committee meeting. The summary of decisions is a quarterly document that reflects the tactical asset allocation, which is the outcome of asset allocation discussions at the Investments Committee meetings.

192. The Representative of the Secretary-General informed the Board that a signed copy of the investment policy statement had been submitted to the Board.

193. **The Board took note of the 2016 investment policy statement.**

D. Information technology strategy of the Investment Management Division

194. The Representative of the Secretary-General discussed the status of development of a comprehensive ICT strategy for the Investment Management Division, which should be aligned with business priorities and focused on strengthening the management of ICT infrastructure and applications.

195. The Representative of the Secretary-General provided the Board with background on the ICT strategy. As most of the investments of the Fund are internally managed, it is important that a robust suite of application systems be put in place to support the front, middle and back offices. A comprehensive ICT strategy is therefore required to ensure secure and continuous operations. A sound and comprehensive strategy should address both infrastructure and applications.

196. The Representative of the Secretary-General identified potential ICT risks, including cybersecurity, front running, potential costs of failed transactions and reputational risk. The risks could result in both implicit and explicit potential costs.

197. The Representative of the Secretary-General identified related resources and informed the Board of the planning activities already undertaken. The Investment Management Division has six ICT staff members. A request for proposals was issued in June 2014 to procure a consultant to assess the Division's infrastructure. A consultant was not procured at that time because the request for proposals did not enable a full assessment of the potential solution, particularly as related to infrastructure. It was not possible to revise the scope of the existing request for proposals. An ICT steering committee was formed to address the issues. The Representative of the Secretary-General said that in retrospect, a consultant should have been procured in 2014 or early 2015.

198. The Representative of the Secretary-General the described progress that has been made towards developing a comprehensive ICT strategy. Successful implementation of the Bloomberg Asset and Investment Manager system was completed in January 2016, resulting in further integration of applications and removing the risk of failure of the outdated Charles River system. The iNeed enterprise service desk was added in March 2016.

199. In terms of infrastructure, the Investment Management Division is currently using the United Nations International Computing Centre and the Office of Information and Communications Technology for certain services. Both are being

considered. External providers are also available. The Representative of the Secretary-General showed a chart identifying infrastructure components along with current and potential providers for each component.

200. The Representative of the Secretary-General also displayed a chart showing the applications components that are currently being utilized. She noted that while integration had improved with the advent of the Bloomberg Asset and Investment Manager system, more integration was needed.

201. The Representative of the Secretary-General acknowledged that, while the ICT strategy had been further developed, it still needed much more work. Constructive feedback from the Audit Committee had resulted in a decision to retain a consultant to create a target operating model. An expression of interest has already been issued for a consultant, and a request for proposals was scheduled to be issued in July.

202. The Representative of the Secretary-General acknowledged the Audit Committee observation that applications integration required more attention than infrastructure. Both applications and infrastructure would be assessed for potential enhancements.

203. The executive heads supported the Audit Committee's recommendation that the ICT strategy be prepared as soon as possible. The executive heads requested that the Audit Committee provide input on the terms of reference and scope of work for the consultant prior to issuance of the request for proposals. The Representative of the Secretary-General accepted the recommendation.

204. FAFICS supported the Audit Committee's observation that the ICT strategy was crucial for the Investment Management Division and the investment portfolio. It would not be wise to save on those expenses if it meant underperformance.

205. The participants group noted the Audit Committee's recommendations on the ICT strategy. The group strongly encouraged consideration of solutions having commonality within other parts of the United Nations in order to benefit from economies of scale and common solutions to shared issues.

206. The governing bodies noted the evolution of the ICT strategy and the need for a significant amount of additional work to be done immediately. They recommended that the Board take note of the report of the Audit Committee on the subject, which had been a key area of concern for some time. The governing bodies stressed the need for assistance from external experts. They hoped that by the next Board meeting in 2017, there would be substantial progress on the ICT strategy.

207. **The Representative of the Secretary-General informed the Board that she understood the important nature of the ICT strategy, and would treat it as a top priority.**

E. Anti-fraud policy of the Investment Management Division

208. The Pension Board was informed that the Investment Management Division had drafted its anti-fraud policy to further support its policies and procedures for the prevention, detection and reporting of fraud, corruption and other irregularities that might affect the Fund. The Representative of the Secretary-General presented the draft policy document for information and informed the Board that it was still under

review by the Office of Legal Affairs and the Department of Management of the Secretariat.

209. The principles expressed in the anti-fraud policy, as well the personal securities trading, gift and hospitality, mandatory leave and communications and document retention policies, reinforce the Investment Management Division's commitment to the highest standards of ethics, good governance, competence and trustworthiness and reflect the efficiency, competence and integrity expected of United Nations staff. The policy will permeate all aspects of the Division's activities and will serve as a building block for the more specific guidelines and controls found in the Division's investment policy statement, investment procedures and risk management manuals. The policy will apply to all Division staff members in addition to the provisions of the Staff Regulations and Rules of the United Nations, the United Nations code of conduct and any applicable administrative instructions.

210. When implemented the policy will be applied to any actual or suspected irregularity involving the Investment Management Division staff, including their interactions with consultants, advisers, vendors, contractors and outside agencies doing business with the Division and other parties with a relationship with the Division, regardless of the suspected wrongdoer's length of service, position/title or relationship to the Fund.

211. The policy addresses as key matters types of fraud, confidentiality, reporting and escalating, investigation conduct, and outcome.

212. The governing bodies acknowledged that the anti-fraud policy was a living document that should be implemented in the near future and could be updated periodically, as needed. The policy resulted from a recommendation of the Advisory Committee on Administrative and Budgetary Questions, the Fifth Committee and the General Assembly. Members looked forward to seeing it integrated as part of the internal controls of the Division.

213. In consultation with other United Nations entities, the participants group acknowledged the role of the Compliance Chief and stressed the need to ensure that that post was always filled.

214. The Board took note of the draft of the anti-fraud policy.

Chapter VI
Medical matters

A. Report of the medical consultant (Rules of Procedure, rule D.3)

215. The medical consultant to the Board presented a report with respect to the two-year period from 1 January 2014 to 31 December 2015. The report contained detailed information and analysis regarding the new disability benefits awarded during that period, together with data on new disabled children's benefits and on the deaths of participants while in service. The report analysed the incidence rate for new cases (0.69 per thousand participants), which was a decrease from the rate of 0.79 reported for the previous biennium, the diagnostic categories by gender and the average age, as well as the average contributory service of Fund participants to whom new disability benefits were awarded.

216. The medical consultant noted that the leading cause of disability cases continues to be psychiatric (43 per cent), which combined with the following four diagnostic categories represented more than 80 per cent of all new disability cases: neurological (15 per cent), orthopaedic (11 per cent), neoplasm (11 per cent) and cardiovascular (4 per cent). There was a 4 per cent increase in psychiatric cases compared to the previous biennium. Regarding gender distribution, women outnumbered men in psychiatric cases (52 out of 74) and in neoplasm cases (16 out of 20). A total of 391 death in service cases were reported, presenting an average annual mortality rate of 1.46 per thousand, which is similar to the 1.39 per thousand reported in 2012-2013.

217. In 2015, the Board requested the medical consultant to undertake a review of deaths in service. The medical consultant had reviewed the death certificates submitted; however, in 223 of the 391 cases, the cause of death was not stated in the death certificate. Of the remaining cases, many of the deaths could be regarded as highly preventable, as the causes of death — sepsis, diabetes, Ebola, HIV, hypertension, malaria, renal disease and trauma — all have well-defined preventive strategies. The review will continue and the results will be reported in 2018.

218. The medical consultant informed the Board that as part of ongoing strategies to reduce death and disability, a working group comprised of medical, counselling and human resources experts had been convened by the Assistant Secretary-General for Human Resources Management to examine the state of mental health and well-being of staff within the United Nations Secretariat. The strategy will be informed by a survey of over 20,000 staff, currently being analysed by academic partners. It is anticipated that the strategy will include measures for prevention, early detection, treatment and rehabilitation/return to work of staff with mental health-related diagnoses.

219. The Board was also informed that the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination had approved the first-ever United Nations system framework for occupational safety and health. With phased implementation over the next four years, the framework will introduce key elements such as the occupational safety and health policy, oversight, incident reporting and enhanced capability for data analysis.

220. With respect to new disabled children's benefits, there were a total of 51 new cases awarded during the period under review. The main causes were psychiatric, in 31 cases, and neurological, in 9 cases.

221. **The Board expressed its appreciation for the report of the medical consultant and noted the information provided for the biennium under review.**

B. Medical matters pertaining to Fund participation and benefits

222. At its fifty-seventh session, in July 2010, the Board requested the Secretary/Chief Executive Officer to consult with the medical consultant concerning the possibility of establishing a standard for medical examinations for purposes of participation in the Fund, pursuant to article 41 of the Regulations. The Board considered proposals on the matter at its sessions in 2012, 2013, 2014 and 2015. At its sixty-first session, in 2014, the Board requested that additional information be provided at its sixty-second session on the implementation of new medical clearance procedures after consultation with the medical directors of all member organizations of the Fund, with the understanding that the change to article 41 would be considered at the sixty-third session.

223. In 2015, the medical consultant provided an update on developments in the adoption of the pre-entry medical clearance procedures, including a pilot using the minimum medical review questionnaire for clearance of staff being deployed to the Ebola crisis area. The Board requested that further information be provided at its next session on progress in the implementation of the new clearance procedures together with the amendments to article 41 of the Regulations in the context of a review by the consulting actuary of the impact of the new medical clearance procedures.

224. The medical consultant informed the Board that the United Nations Medical Directors Working Group had continued to consider the issue of pre-entry medical clearance. At its meeting in Bangkok in November 2015, the Group made the following statement in regard to the standard of "fit for employment" that has been proposed for determining medical fitness for participation in the Fund:

> Fitness to work is determined by each organization based on an occupational risk appraisal that takes into account the health of the individual, the nature of the job and the proposed duty station. Every assessment of fitness to work that results in a new admission to the United Nations Joint Staff Pension Fund will include, at an absolute minimum, the minimum medical review questionnaire, and may include additional assessment methods at the clinical discretion of the organization's designated medical officer.

225. The above statement is consistent with the earlier statement issued by the Medical Directors Working Group at its meeting on 22 June 2011 in the context of proposing the standard of "fit for employment" for participation in the Fund.

226. At the request of the Board, the consulting actuary had reviewed the proposed adoption of the new approach to pre-entry medical clearance and confirmed that a move to a risk-stratified approach would not negatively affect the rate of disability cases in the Fund, nor would it affect the long-term solvency of the Fund. At its meeting in June 2016, the Committee of Actuaries reviewed the conclusions of the consulting actuary and concluded that the new procedures would not lead to significant changes in the underlying practice; consequently, they were not expected to have a significant effect on the financial status of the Fund.

227. The Board further considered the changes to article 41 of the Regulations proposed by the Secretary/Chief Executive Officer in consultation with the medical consultant in the following framework:

(a) The standard of "fit for employment" as determined by the member organization would be the basis for determining medical fitness for participation in the Fund;

(b) The means of determining fitness for employment in each case would be made by the medical services of the member organization based on the risk-stratified approach that takes into account the health of the individual, the nature of the job and the proposed duty station;

(c) Account should be taken of information on a medical condition that is withheld and could have resulted in the individual not being employed, and thus not becoming a participant in the Fund, had it been revealed, if that condition gives rise to a request for a disability benefit in the future.

228. The governing bodies noted the assurance provided by the consulting actuary regarding the risks of adopting the new pre-entry medical clearance procedures for purposes of determining eligibility for participation in the Fund, and also the intent that the new procedures not be discriminatory. They further emphasized the need to ensure that there is consistent treatment of participants in determining whether information has been withheld where the issue arises in regard to award of a disability benefit. In that regard, they requested that the medical consultant clearly and transparently provide information as part of the biennial report on the length of employment, total disability benefit payable and any other relevant information for all new participants who become eligible for a disability benefit within one year of employment/participation in the Fund. That information might assist the Board in the future in assessing the impact of the changes.

229. **After consideration of the views of the United Nations Medical Directors Working Group and of the consulting actuary, the Board approved the proposal that the medical standard for participation in the Fund be a determination by the medical services of the member organization of the Fund that the staff member is "fit for employment", provided the other requirements for participation under article 21 (a) of the Regulations have been met. The determination that the staff member is "fit for employment" would be made by the medical services of the member organization in accordance with its pre-entry medical clearance procedures based on the risk-stratified approach.**

230. **Taking account of the proposed framework, the Board further approved the changes to the text of article 41 of the Regulations and section C of the Administrative Rules as provided, respectively, in annexes XIII and XIV to the present report to reflect the adoption of the medical standard of "fit for employment" for participation in the Fund, and to address cases where a staff member fails to disclose relevant medical information or falsifies information regarding his/her medical status at the time of the pre-entry medical clearance.**

231. **The Board requested that it and the staff pension committees continue to receive updates on the implementation of the new pre-entry medical clearance procedures, in particular on cases where a participant becomes eligible to receive a disability benefit within one year of commencing employment/participation in the Fund.**

Chapter VII
Administrative matters

A. Financial statements for the year ended 31 December 2015

232. The Pension Board considered the financial statements of the Fund for the year ended 31 December 2015. These are the Fund's fourth financial statements prepared in accordance with IPSAS. As requested by the Board at its fifty-seventh session in July 2010, the Fund transitioned to this new accounting framework on 1 January 2012. Comparative information for the financial period ending 31 December 2014 is also presented in the financial statements.

233. The Board was informed that there were several additions to the 2015 statements. The statements include a letter of transmittal, signed by the Chief Executive Officer and the Representative of the Secretary-General, forwarding the statements to the Board of Auditors, and a statement of certification, signed by the Chief Financial Officer, certifying that the Fund's financial statements are correct. A cash flow statement for the year 2015, with comparative figures for 2014, has also been included in the statements.

234. During the year ended 31 December 2015, the total assets of the Fund decreased in value from $53.1 billion to $52.4 billion, reflecting a decrease of $650.6 million, or 1.3 per cent.

235. Further, the Fund's net assets available for benefits (principal of the Fund) decreased from $52.9 billion as of 31 December 2014 to $52.3 billion as of 31 December 2015. This represented a decrease of $616.6 million, or 1.1 per cent.

236. Under IPSAS, the Fund recognizes all realized and unrealized gains through investment income and introduced positions of net appreciation in fair value of assets and foreign currency gains and losses. As a result, for the year ended 31 December 2015, there was a total investment loss of $458.3 million. This compares to investment income of $1.7 billion for the year ended 31 December 2014, a decrease of $2.1 billion.

237. Included in investment income, for the year ended 31 December 2015, were foreign currency losses of $1.5 billion ($751 million realized, $736 unrealized). This compared to foreign currency losses of $2.0 billion ($213 million realized, $1.7 billion unrealized) for the year ended 31 December 2014.

238. During the year ended 31 December 2015, the contributions to the Fund amounted to $2.256 billion, a decrease of $7.1 million compared to 2014. Over the same period, benefit payments made by the Fund amounted to $2.361 billion, a decrease of 2.5 per cent, exceeding contributions by $105 million.

239. The number of participants in the Fund increased from 122,759 to 126,892, representing an increase of 3.4 per cent. In addition, the number of periodic benefits in award decreased from 72,367 to 71,474, a drop of 1.2 per cent.

240. The information below was provided to the Board in writing in response to five questions raised by the executive heads group regarding the financial statements for the year ended 31 December 2015.

Question 1. In reference to investment (loss)/income, details were requested by asset class.

241. Details of gains and losses by asset class for the year ended 31 December 2015 are provided in table 5.

Table 5
Gains and losses by asset class for the year ended 31 December 2015
(United States dollars)

	Net appreciation/ (depreciation) in fair value of investment	*Interest income*	*Dividend income*	*Real assets income*	*Foreign exchange gains and losses*	*Total*
Cash and cash equivalents		**2 486**			**(105 800)**	**(103 314)**
Short-term	**(7 181)**	**10 439**			**(7 725)**	**(4 467)**
Equities	**(255 864)**		**777 863**		**(739 297)**	**(217 298)**
Fixed income	**(205 015)**	**342 628**			**(582 951)**	**(445 338)**
Real estate	**399 784**			**38 302**	**(40 667)**	**397 419**
Alternatives and other investments	**50 150**				**(10 961)**	**39 189**
Total	**(18 126)**	**355 553**	**777 863**	**38 302**	**(1 487 401)**	**(333 809)**

Question 2. With regard to forfeited benefits as mentioned in footnote 3.6 of the fund financials, the amounts of benefits forfeited in 2015 and 2014 were requested.

242. In 2015, the amount forfeited was $3,000. In 2014, the amount forfeited was $93,000.

Question 3. With regard to the hierarchy disclosure of investments, details were requested on which assets are managed internally (85 per cent) and which externally (15 per cent).

243. As of 31 December 2015, approximately 14.75 per cent of the Fund's investments were externally managed. The breakdown by asset class is as follows: real assets (mostly real estate): 6.57 per cent, alternative assets (mostly private equity): 3.48 per cent, global equity: 4.7 per cent.

Question 4. In reference to withholding taxes receivable, in particular to tax deemed not recoverable (three Member States totalling $9.3 million), these costs should be seen as a net cost of sale of investments and adjusted in net investment gain/loss. These additional sales costs need to be taken into consideration when investment decisions are made. The tax amount deemed not recoverable relates to withholding tax deducted from dividend income and it is recorded as a "tax expense" in the statement of changes in net assets available for benefits.

244. The Fund adopted IAS 26, "Accounting and reporting by retirement benefit plans", and has incorporated the guidance of IAS 26 in its financial statement presentation. The Fund is disclosing "tax expenses" as a separate line item in accordance with IAS 26.35(b)(viii) (taxes on income to be separately disclosed). In

addition, the Fund follows the industry practice of disclosing tax expenses out of the investment income. Finally, it should be noted that the tax expenses amount is usually a relatively immaterial line item for the Fund and an alternative disclosure methodology would not result in a material impact on the presentation of the Fund's investment information.

Question 5. With reference to footnote 20.3, Legal or contingent liabilities, please provide details of the contingent asset of $3.98 million related to a claim for reimbursement of transaction costs in France.

245. The contingent asset of $3.98 million relates to a financial transaction tax imposed in France on the sale of equity investments. In early 2016, the Fund received a positive ruling from the French tax authority confirming that the Fund is exempt from financial transaction tax. As it is still uncertain how and when these funds can be collected, the Fund took the conservative position of disclosing the amounts not as assets but rather as contingent assets.

246. Contingent assets usually arise from unexpected or uncertain events that are not wholly within the control of the entity and give rise to the possibility of an inflow of economic benefit. Contingent assets are not recognized in financial statements, since that might result in the recognition of revenue that will never be realized. However, when the realization of revenue is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

247. A question was raised as to the differences in values of investments from the financial statements of the Fund as compared to the values stated in the management of investments. The Board was reassured that the investment values, for both the financial statements and investment reports, are supplied by the independent master record keeper, Northern Trust.

248. It was further explained that there is a difference between the pricing methodologies used by the master record keeper for performance calculation and reporting and those used for the financial statements, particularly with respect to the investments of the Fund. Performance calculation and reporting are based on the master record keeper's "standard pricing", which is consistent with the pricing of the underlying constituents of the various benchmarks. Financial statements are based on the lower "current bid/ask price" as required by IPSAS. Further, the Investment Management Division noted that it would request that a reconciliation be prepared by Northern Trust, for the following year's reporting in the notes to the financial statements, to reconcile investment amounts from investment reports with the financial statements of the Fund.

249. In an effort to provide additional transparency, after the Board discussion on the financial statements, the Investment Management Division requested and received, from the master record keeper, a reconciliation of the Northern Trust performance valuation of the Fund with the IPSAS financial statements as at 31 December 2015 (see table 6).

Table 6
Reconciliation of Northern Trust performance valuation with IPSAS financial statements
(United States dollars)

	Northern Trust valuation 31/12/15	*Accrued income/price difference*	*General ledger balance 31/12/15*	*Manual adjustments*	*IPSAS financial statement balance*
Cash and cash equivalents	1 293 882 672	51 715 418	1 345 598 090	–	1 345 598 090
Short-term investments	538 793 307	(3 840 819)	534 952 488	–	534 952 488
Equities	32 457 407 919	43 936 298	32 501 344 217	–	32 501 344 217
Fixed income	12 588 007 779	(102 904 582)	12 485 103 197	–	12 485 103 197
Real assets	3 424 938 190	(193 997 509)	3 230 940 681	84 178 010	3 315 118 691
Alternatives and other investments	1 811 444 283	29 835 839	1 841 280 122	24 348 141	1 865 628 263
					52 047 744 946
				Less cash	(1 345 598 090)
	52 114 474 150				**50 702 146 856**

Northern Trust performance valuation	52 114 474 151
Less accrued income	(160 945 693)
Less price difference between IPSAS and performance	(15 928 536)
Plus due to/due from brokers	1 618 871
Plus real estate adjustments	84 178 010
Plus private equity adjustment	24 348 140
Less cash	(1 345 598 090)
	50 702 146 856

Note: Figures are based on Fund appraisal as at 31 December 2015.

250. The Board approved the financial statements for the year ended 31 December 2015. The Board requested that the background and details related to the cost-sharing arrangement be provided to the Budget Working Group in 2017. The financial statements for the year ended 31 December 2015 can be found in annex VII to the present report.

B. Financial rules of the Fund

251. At its sixty-first session, in 2014, the Pension Board recommended to the General Assembly an amendment to article 4 of the Regulations of the Fund to make reference to Fund-specific financial rules (see A/69/9, annex XI). By paragraph 9, resolution 69/113, the Assembly approved the proposed amendment in order to establish clear authority and reference to the financial rules of the Fund. In paragraph 10, the Assembly emphasized the importance of the Board promulgating financial rules that would govern the financial management of the Fund. At its sixty-second session, the Pension Board was updated on the Fund's efforts to finalize its

consultative process in respect of the drafting such financial rules, taking into account the governance structure, mandate and funding source of the Fund.

252. A streamlined version of the draft financial rules was developed by the Fund in close consultation with the Office of Legal Affairs. The Fund held several internal and external meetings and completed an exhaustive consultative process. The draft financial rules incorporate the comments received from the Fund's external auditors (the Board of Auditors) and internal auditors (OIOS). Furthermore, at the request of the Audit Committee, the Fund consulted with the Office of the Controller and the Department of Management and their comments were taken into account in the draft financial rules.

253. The rules address the financial administration of the Fund and fill in gaps not otherwise covered by the Fund's Regulations and Administrative Rules. The rules provide, specifically, that for procurement activities and other administrative services, the Fund continues to use the United Nations "machinery" under the Financial Regulations and Rules of the United Nations. The rules in no way change the governance or operations of the Fund; they merely codify the existing practice and provide a proper legal framework for financial management, thereby reinforcing the Fund's internal control mechanism. The Chief Executive Officer noted that this was a step in the right direction in terms of good governance, improved financial framework and increased transparency.

254. The Audit Committee recommended the approval of the financial rules. The Chair emphasized the full consultative process that had taken place among all the stakeholders, including the Fund's internal and external auditors. He also recalled that the financial rules had been discussed by the Pension Board for 10 years and that it was proper governance to approve the rules, which would be a "living" document and could be amended later.

255. The representative of FAFICS welcomed the proposed financial rules and expressed appreciation for the work done to reach this point. He observed that the rules merited close attention and consideration by the Board, particularly as the document did not provide a comparison of the before and after situation resulting from the proposed adoption of the rules. The rules as proposed did not appear to change policies but rather represented a codification of existing practices. The representative made a number of detailed observations concerning the proposed rules, including the need to cover the lacuna existing as a result of the absence of any rule requiring investment performance reporting. It was suggested that the industry standard, namely the global investment performance standard, be used, and that rules D4, D5, D10 and D13 be slightly modified to specify use of procurement procedures, recording of fees for discretionary advisers and maintenance of an appropriate balance between internally managed assets and outsourced management. Finally, there should be a future review of experience gained in using the new rules.

256. The Representative of the Secretary-General confirmed that only a small portion of the investments was entrusted to external fund managers and indicated her strong support for internal management, in part for reasons of quality of management and cost-effectiveness. She referred to the trend whereby more and more pension funds relied on internal management. She indicated that she was open to considering further suggestions on the wording of the financial rules and that she understood and respected the concerns expressed regarding the issue of outsourcing.

257. The Chair of the Board stated that there were other checks and balances in place and no outsourcing, hedge funds or privatizations were contemplated.

258. **The Board approved the financial rules as presented, which will be part of the Administrative Rules of the Fund.** The financial rules are attached to the present report as annex VIII. Following the discussion, and in order to respond to concerns expressed, the Board decided that all Board members should provide further comments and feedback through the Secretary/Chief Executive Officer to the Audit Committee of the Board, which is comprised of all constituent groups and FAFICS, no later than 30 October 2016. The Audit Committee would review the rules on the basis of the comments received and submit any possible revisions to the Board in 2017.

C. Report on the implementation of the integrated pension administration system

259. The Board considered the status report on the implementation of IPAS, which was a complex, large-scale, enterprise-wide undertaking. It involved the simultaneous replacement of all legacy systems (including the pension entitlement, pension payroll, financial accounting and content manager systems) with a fully integrated system solution capable of supporting the Fund's full range of operational, financial and management functions. The implementation of the system was particularly challenging considering that the Fund has one of the most complex, multi-employer plan designs in the world.

260. The new system was deployed on 3 August 2015 in a controlled environment, with the legacy systems operating in parallel and IPAS becoming the primary system of record. The Fund achieved the primary objective of deploying a fully functioning, complete, accurate and consistent payroll (covering 72,000 beneficiaries in 190 countries). The deployment of the new system was seamless for the 72,000 beneficiaries already receiving a periodic pension benefit. The system also introduced new ways of working, reducing or eliminating significant risks and vulnerabilities in the Fund's operations as identified in the current state assessment (2007) and business impact analysis (2010) prepared by independent consultants. The new system is centred on re-engineered processes that are more consistent and standardized. IPAS not only significantly increases the Fund's processing capacity but also supports a horizontal approach to transaction management, breaking down established silos in favour of a new process-driven operations model.

261. The deployment of IPAS has strengthened the internal control environment by reducing the number of internal interfaces. Streamlined payroll processing, for instance, provides a better link between financial and human resources data while introducing more modern, reliable and flexible information technology. The implementation of IPAS also accommodated some major challenges and changes in scope throughout the period, including changes to the Regulations of the Fund (which expanded the project's original scope as it had to consider the Fund's more than 300 separation provisions). The new system provides a solid foundation upon which to further enhance the Fund's efficiency and adapt to changes in the population being served by the Fund, including increased geographical dispersion, ageing of the beneficiary population, increased use of technology and increased demands for services.

262. Following decisions of the Board at its sixtieth session, the project also expanded its scope to include the consolidation of the "X" (paid in advance) and "Y" (paid in arrears) payrolls. This change greatly simplified and streamlined the payroll process, reducing the number of payroll activities, reports and reconciliations and improving overall efficiency. Additionally, the system now includes direct payment routing (reducing banking charges, limiting the number of returned payments and providing for more automation in the payment process), utilization of new disbursement mechanisms in Central and West Africa and direct electronic debits in Indian and Pakistan rupees (which have greatly benefited retirees and beneficiaries residing in those regions). The Fund extended the testing and deployment phase of the project to ensure that these changes were accommodated.

263. As reported to the Pension Board in the project's high-level business case, it was anticipated that IPAS could yield savings in the order of $2.3 million per annum. It is expected that these savings will be exceeded by approximately $0.65 million per annum (representing further savings in information technology costs owing to lower estimated maintenance costs). The project's overall cost was $26.2 million, as compared with the approved project budget of $22.7 million before recosting for inflation. The cost increase was mainly attributed to added costs for expansion of scope as described above.

264. Considering the scope and complexity of the project, the Board, at its sixty-second session, concurred with the decision of the Fund to delay release of the system until full testing could be completed and urged the Fund to continue its work to ensure full deployment in a controlled manner by the earliest possible date. As expected in the deployment of a large-scale and complex system, the initial processing rate of new benefits started slowly, but the Fund quickly achieved higher processing rates than under the legacy systems. The Fund is currently processing a significantly higher number of benefits than under the legacy environment. In May 2016, the Fund reached the highest-ever number of benefits processed and paid in one month. Owing to the scale and complexity of the project, there had been a temporary slowdown in benefit processing times and the related performance measures were not met during the initial months of deployment. However, the Fund has closely monitored performance benchmarks and adjusted focus, as circumstances required.

265. During the first months of 2016, the Fund observed a higher than normal rate of separations. This was due mainly to downsizing in peacekeeping operations and efforts by member organizations and reporting entities to send separation documentation to the Fund more quickly. This surge in the number of separations exceeded the additional processing capacity achieved by the new system. The Fund met with senior management of the United Nations and decided to expand the measures taken by the Fund in March 2016, namely to create a dedicated temporary task force to further increase processing capacity and provide data quality control measures to prevent delays related to incomplete documentation or inaccurate information being submitted by reporting entities or separating participants.

266. Additionally, the Fund, together with the United Nations and other member organizations, will initiate a review of the end-to-end process (from separation to entitlement and payment) to identify streamlining opportunities during all phases of

the process. It is recognized that significant delays occur in sending the separation documentation to the Fund from some reporting entities.

267. The IPAS project officially ended on 2 August 2016 at the conclusion of the post-implementation phase.

268. In summary, the main achievements of the Fund with respect to IPAS are as follows:

(a) Management and implementation of the new system resulting in a seamless transition for the payment of the pension benefits payroll to 72,000 beneficiaries residing in more than 190 countries as well as full deployment of all substantive functionality;

(b) Processing rates which are significantly above those under the legacy environment;

(c) Successful accommodation of major changes and expansion in the scope of the project (including changes in the Regulations of the Fund);

(d) True integration of systems that are used by the Fund to provide benefits, account for contributions and improve client services;

(e) Significant reduction or elimination of high risks and vulnerabilities related to the large number of internal interfaces and manual transactions, as well as elimination of obsolete technology and systems;

(f) Establishment of one common central database for use throughout the Fund;

(g) Provision of a solid foundation to further enhance the Fund's efficiency and adapt to changes in the population being serviced by the Fund;

(h) Work routed more efficiently through more direct, comprehensive and intuitive workflows;

(i) Savings exceeding the estimate of $2.95 million per annum;

(j) Enhanced level of documentation of all systems and processes to reduce the risk of loss of knowledge.

269. Furthermore, an independent assurance provider was engaged to assess the effectiveness of the system in managing information security risks, following the protocols defined by ISO. In April 2016, the Fund secretariat obtained for the first time the ISO 27001 certification for IPAS (covering all of the Fund's substantive activities). This certification provides assurance that the new system's operations and maintenance are in accordance with international information security management standards.

270. In February 2016, the Fund was recognized for achieving 99.3 per cent straight-through processing. Straight-through processing mechanisms ensure an effective and efficient processing of benefit payments, as well as stronger controls that prevent risks of fraud or error.

Review of implementation against the approved high-level business case

271. Consistent with best practice in project management, the Fund retained a specialized consultant to conduct an independent post-implementation assessment of

the IPAS project. The purposes of the assessment were to review to what degree the project met the business objectives contained in the approved high-level business case and the target operating model, taking into account the impact of change controls and other changes/challenges that occurred throughout the implementation; the best practices in pension fund projects of this sort as gathered globally by the consultant; and the complexity of the implementation considering the nature and particular circumstances of the Fund.

272. The main conclusions of the assessment are that:

(a) The Fund achieved the fundamental priority of deploying a fully functioning, complete, accurate and consistent payroll (covering 72,000 beneficiaries in 190 countries);

(b) The Fund managed the project prudently, resulting in a successful introduction of a new system and ways of working that significantly reduced operational and information technology risks as identified in the current state assessment and business impact analysis;

(c) The project accommodated some major challenges and changes in scope throughout the period;

(d) The new system provides a solid foundation upon which to further enhance the Fund's efficiency and adapt to changes in the population being served by the Fund (increased geographical dispersion, ageing population, increased use of technology, increased demand for services, etc.), while changing the way customers experience the services they need;

(e) At this early stage, and considering the complexity and scope of the project, the implementation met most of the objectives originally set out under the high-level business case, including all substantive functionalities, as well as achieving higher processing rates than in the legacy environment;

(f) The extended system freeze period for testing was longer than would normally be expected and, combined with the "ramp up" cycle, contributed to the creation of a backlog. This is a common outcome of implementation of any pension administration system. The creating of a task force to clear this backlog was a sensible approach.

Discussion in the Board

273. The Board noted that the IPAS project had been successfully implemented and that the transition had been seamless for those beneficiaries already in payment. The launching of IPAS was the culmination of some seven years of study, design, testing and the integration of fragmented systems. The project was a monumental undertaking and the Board was pleased that for existing beneficiaries there had been no reports of missed or late payments. The implementation achieved its priority objectives, which included a fully functioning, accurate and consistent payroll, and increased the operational efficiency of the Fund, with the monthly processing rates in 2016 considerably exceeding those of 2014.

274. The Board recognized that, while actions to deal with the increased case inventory were ongoing, the Fund had also begun to experience a surge in new cases since early 2016, primarily resulting from the downsizing of peacekeeping missions. The Board noted that Fund's management had acted prudently in developing a

strategy to address the surge and dealing with the increase in cases waiting to be processed, as well as the resulting unwarranted negative publicity. The Board supported the actions taken by management in that regard, including the creation of a temporary task force to add benefit processing capacity immediately and the designation of focal points with member organizations to track case lists. The Fund is also jointly studying with member organizations possible actions to streamline the separation-to-entitlement process. The Board supported efforts to further develop detailed reporting in the new system to include the ageing of outstanding cases. In addition, a communications officer was recruited to help with the Fund's public relations and implement a communications strategy going forward.

275. A representative of the executive heads congratulated the IPAS team and the Fund for what had been achieved in respect of the IPAS implementation, including 100 per cent accuracy of payroll. However, there remained areas of concern, most notably the continuing backlog in processing cases. In that regard, the executive heads requested the Fund to:

(a) Regularly provide to the member organizations details on the ageing of the backlog of cases;

(b) Make a major effort to drive down the processing to two months — in the immediate term — with consideration given to making monthly provisional payments while working to return to "normal" processing times;

(c) Consider establishing a service level agreement with the staff pension committees on matters that include processing times, setting forth the obligations on both sides of the partnership;

(d) Undertake an end-to-end review that involves the member organizations and consider their involvement in the development of applicable aspects of IPAS;

(e) In light of the fact that the use of temporary staff is not sustainable in the long term, inform the executive heads of how the Fund is going to keep up the momentum and manage the workload in the longer term. The longer-term solutions were discussed under the agenda items on the whole office review and revised budget estimates.

276. FAFICS was pleased that implementation had been a resounding success for existing beneficiaries. However, after the launch FAFICS began receiving reports that for new retirees and widows/widowers, the results were mixed. While some delays were indeed caused by the teething problems associated with a new system, others came about because either the retiree or the organization had not completed the necessary paperwork to ensure that a complete file reached the Fund. In the end preparing a file ready for processing is a tripartite responsibility involving the retiree, the organization and the Fund.

277. While FAFICS understood the challenges involved in launching a new information technology system of the magnitude of IPAS, it was most concerned about those who had experienced hardship as a result of waiting an unreasonable amount of time to start receiving their pensions, a right they had earned by virtue of their service with the United Nations. FAFICS noted that the Fund secretariat was willing to consider modalities for the payment of approximate benefits.

278. FAFICS called for immediate adoption of the following measures by the relevant parties:

(a) Close cooperation among all parties involved in processing: the retiree, the secretaries of the staff pension committees, the organizations and the Pension Fund;

(b) Improved communication from the Fund secretariat, with acknowledgment of inputs received and track kept of individual cases;

(c) Treatment in pre-retirement seminars of the separation/documentary requirements for processing by the Fund;

(d) Improved outreach by establishing Pension Fund hubs in Africa, Asia, Latin America and the Middle East.

279. Regarding the further stages of IPAS implementation, FAFICS expressed some concern about the emphasis being placed on self-service, and considered that steps to accommodate the different levels of ability in an ageing community must also be addressed.

280. **The Board took note of the status report and the successful implementation of the IPAS project. The Board commended the management and staff of the Fund for their hard work on this complex project and recommended that the Fund's management intensify its efforts to forecast, plan and manage the Fund's caseload in light of current and anticipated separations. The Board also welcomed management's proposal to establish a new task force to complement specific measures to address the backlog, and to conduct a review of the end-to-end process in cooperation with member organizations of the Fund.**

D. Whole office review and review of client service activities

281. The Board was informed that, in line with the priorities identified in the 2016-2017 strategic framework approved by the Board during its sixty-first session, the Fund secretariat had retained the services of a specialized consulting firm to undertake an overall review of the Fund's staffing and organizational structure ("whole office review"), as well as a separate review of its client service activities, drawing on relevant industry best practices. The consultants presented the main conclusions and recommendations of the two reviews.

Whole office review

282. The consultant reported that the whole office review had served to confirm that the Fund is one of the most complex, multi-employer pension funds in the world, with unique characteristics:

(a) The stakeholder population is large and diverse;

(b) The membership is large and growing, as well as being geographically dispersed;

(c) The Fund plan design and pensioner payroll are highly complex (the consulting firm has not witnessed this degree of complexity in any other pension scheme);

(d) In recent years there has been a significant growth in work volumes for the Fund.

283. The consultant reviewed the implementation of the recommendations from the previous whole office review undertaken in 2008 and assessed that the progress made so far was very good. However, changes in organizational structure and reinforcement of staffing were recommended to reach levels commensurate with the volume, complexity and global scope of the Fund.

284. It was expected that the Fund's operational and information technology environment would continue to be streamlined and strengthened in the next two to four years, leveraging the potential of the recently implemented IPAS.

285. The main substantive recommendations of the study undertaken by the consulting firm were summarized as follows:

(a) A Senior Management Analyst post should be established to analyse and propose further process enhancements through continued process re-engineering, streamlining of transactional processes and development of coordinated policy and procedural guidance for the Fund;

(b) The Fund should conduct an end-to-end review jointly with the United Nations and other member organizations to identify opportunities for streamlining the overall separation-to-entitlement process (leveraging the installed enterprise resource planning systems) and establish a process dashboard (from separation to payment) that will provide easy monitoring and control;

(c) The post of Senior Communications Officer/Spokesperson should be regularized and the incumbent should report directly to the Chief Executive Officer;

(d) The client services section should be separated from Operations and headed by a dedicated senior manager. The section should be organized in a more efficient way, including functional reporting from the Geneva office and the establishment of regional outreach client service hubs supporting participants, member organizations and reporting entities, and/or roving customer service officers/teams;

(e) Operations should establish a small quality assurance team, which would be the focal point for member organizations and reporting entities to ensure that accurate and timely data/documentation is provided to the Fund;

(f) Operations should establish specialized dedicated priority case teams (in New York and Geneva) to deal with the Fund's priority cases, namely death and disability cases;

(g) All functional areas of the Geneva office, namely pension entitlements, client service (with its finance component), information technology and legal, should report directly to the functional managers in the Fund's headquarters to ensure uniform application of the Fund's Regulations and Rules, consistency in working practices and knowledge sharing between the offices. Additionally, the main role of the Geneva office in liaising and communicating with the staff pension committees should be strengthened;

(h) The financial services section should be strengthened by creating two additional P-5 posts to reinforce the financial management functions in all areas (payroll, accounting and cashier's) and to align the levels with the responsibilities of managing a global treasury function making more than 850,000 payments a year in more than 190 countries, or accounting for a large pension fund with a complex year-end reconcilement process;

(i) The Fund should continue to follow the most effective and efficient model for the provision of administrative services in line with the Umoja plan of the United Nations. The post of Executive Officer should be re-profiled as the Senior Human Resources Officer in line with the changing practices of the United Nations and to ensure more support and focus on strategic human resource matters;

(j) Further functionality should continue to be implemented, including new features and services which were not possible in the legacy environment (such as monthly reconciliation of contributions at a participant level), thus releasing further efficiency gains. The new system should also be enhanced to cope with the increasing volumes, changes in the environment and new service demands. Infrastructure support and development should focus on enhancement of in-house knowledge of IPAS (following the co-development agreement with the information technology vendor), as well as related streamlining and stabilization efforts.

286. In addition to the substantive recommendations, the study contains practical recommendations to deal with the extraordinary number of separations observed in recent months. The study recommended the same approach as that adopted by the Fund in processing the "backlog" of cases — which had proven to be effective — namely, to establish a separate task force to increase processing capacity.

Review of client service activities

287. The consultant also presented the main conclusions from the study of the current state the of Fund's client service activities:

(a) Client service areas of the Fund are clearly understaffed;

(b) The activities of the client service teams have already undergone significant change and major improvements as a result of the implementation of IPAS (more modern operational and information technology environment, with a greater degree of standardization, particularly in relation to processing of cases and the consolidation of data into one database);

(c) The Fund follows a decentralized client service model: some client servicing activities are performed by a number of different sections in New York and Geneva and some by staff pension committees and by human resources units of reporting entities;

(d) The Fund's current plans to meet demand and enhance quality of client services through the gradual deployment of features of the member self-service and employer self-service modules are fully supported by the study.

288. The main recommendation of the study is that the Fund requires a new client servicing model (as well as implementation of a set of short- and longer-term measures).

289. For the Fund to meet consistently increasing demand, together with the unexpected surges in transactional volume, the study recommends that the Fund adopt a "hybrid" model. This model utilizes the best applicable aspects of different service delivery models to enhance services and the way they are delivered in a cost-effective manner. Naturally, this model will need to take into consideration the

Fund's unique characteristics and complex plan design, governance and geographical dispersion.

290. The recommended "hybrid" model will incorporate the following elements:

(a) Reorganize: centralize all client service activities and assign other tasks such as records management to other units. Owing to the importance of client services a senior manager is needed to head the service. Adopt a clearer separation between front- and back-office activities;

(b) Co-source: consider a co-sourcing model, where value-added complex services are retained in-house, while more "commoditized" services are outsourced, potentially to a different part of the United Nations or to a third organization. This would enable the in-house team to focus on the value-added and often more complex activities, while at the same time ensuring that commodity services are provided cost effectively;

(c) Relocate: relocate away from expensive duty stations where office space and staff-related costs are high. The savings could be used to fund future improvements and demand-led staffing increases. Many professional third-party administrators now operate from cheaper offshore locations. Additionally, given the geographical and cultural nature of the Fund and its membership, it is worth considering having more local regional outreach hubs which operate in different time zones and are focused on areas where there are concentrations of members;

(d) Enhance: extend the self-service offering to its fullest extent possible.

291. The Board welcomed the reports, which provide a holistic view of the Fund and represent a clear blueprint for further strengthening the Fund's operations, client services and finance. It expressed appreciation for the information provided by the specialized consulting firm on industry best practices. The Board noted that the proposals, if implemented, were expected to speed up benefit processing and enhance the service level of the Fund.

292. The Board noted that the documents included proposed measures for the short and longer term, which should be further analysed within the context of the budget proposals for the biennium 2018-2019 and beyond.

293. When asked about the involvement of the Fund staff, the consultant noted that the team had conducted extensive interviews with staff in New York and Geneva, including all section chiefs in New York, the Chief of Office and the Chiefs of the Participation and Entitlement Section and the Client Servicing and Records Management Section in Geneva, as well as the client services team in New York.

294. In response to a question about the Fund's Geneva office, the Chief Executive Officer explained that the office played three major roles, including business continuity/disaster recovery; servicing Geneva-based and other organizations; and providing additional processing capacity. The whole office review proposes that the Fund strengthen its presence in the different regions of the world through "hubs", which can be coordinated through Geneva or New York. The study also suggests a greater harmonization of practices between the two offices, which is a critical element in ensuring effectiveness, efficiency and high processing rates and should be implemented immediately. The Chief Executive Officer further commented that it would be important for the Board to approve the concepts presented in the two documents. A Board member requested that the Europe-based agencies be kept

informed of possible changes in the structure and services offered by the Geneva office.

295. **The Board took note of the suggestions in the documents and asked the Fund secretariat to present for review and discussion the necessary resource requirements and proposed structural changes in the relevant budget proposals.**

E. Status report on the Emergency Fund

296. Since 1976, the Emergency Fund has been used to provide relief in individual cases of proven hardship owing to illness, infirmity or similar cases. The Emergency Fund, which is not an integral part of the pension benefit system, is financed from the assets of the Fund (and voluntary contributions) through an appropriation of $200,000 each biennium, as approved by the General Assembly.

297. During the two-year period under review, the total amount paid out from the Emergency Fund was $73,824.36, representing 49 disbursements. From 2007 to 2013 there had been a clear and continued increase in overall payments from the Emergency Fund. The current period, however, showed a decrease in the number of claims being made for Emergency Fund assistance. The majority of disbursements from the Emergency Fund are one-time payments to beneficiaries who have experienced hardship associated with illness, infirmity or payment of funeral expenses. The largest single payment made during the period under review was to a beneficiary to cover medical expenses in the amount of $5,774.34.

298. Following a decision taken by the Board in 2011, the period for reporting on the activities of the Emergency Fund was changed from a one-year cycle of 1 May to 30 April to a two-year cycle that would coincide with the biennial budgetary appropriation. Table 7 provides the details of disbursements made since 1 May 2007. The cumulative expenditures since 1976 amounted to $1,437,966.84 as at 31 December 2015.

Table 7
Disbursements from the Emergency Fund

Two-year period	*Number of disbursements*	*Total amounts disbursed (United States dollars)*
1 May 2007 to 30 April 2009	26	59 336
1 May 2009 to 30 April 2011	45	71 942
1 Jan 2010 to 31 Dec 2011	50	93 578
1 Jan 2012 to 31 Dec 2013	249	105 890
1 Jan 2014 to 31 Dec 2015	49	73 824

299. Following the Board's conclusion of this item in 2011, the Fund has continued to make efforts to further strengthen its references concerning the availability of the Emergency Fund on both its website and in the annual letter of the Chief Executive Officer, which is transmitted worldwide to all retirees and other beneficiaries. With respect to the Fund's website, it should be recalled that the Fund added a direct link to the Emergency Fund booklet on the first page that appears after clicking on the

"Beneficiary" tab. In addition, the Fund has been providing assistance to the retiree associations in their drives to increase their membership. In such communications to the offices of the Association of Former International Civil Servants in developing countries, it is specifically noted that the retiree associations can assist the retirees and beneficiaries in the application and follow-up process related to claims from the Emergency Fund.

300. FAFICS noted the continued effort made by the Fund secretariat to improve communication. However, payments were not back at previous levels. An evaluation of the types of documentation required to be submitted by beneficiaries was necessary in order to ensure that the benefits of the Emergency Fund were distributed in the manner envisioned by the General Assembly. A representative of the participants group, along with FAFICS, suggested consideration of additional staff or a dedicated team to focus on improved use of the Emergency Fund. It was noted that the Fund had limited staff and the overall volume of work had increased significantly, even considering the productivity gains already achieved by the new system. However, the Fund secretariat agreed to continue its efforts to increase awareness of the Emergency Fund, taking into account the Board's suggestions. The Fund also agreed to continue to collaborate with the local offices of the Association of Former International Civil Servants around the world as an effective means of facilitating the process for retirees and other beneficiaries.

301. **The Board took note of the activities related to the Emergency Fund during the two-year period from 1 January 2014 to 31 December 2015, including the total of $73,824.36 paid out, representing 49 disbursements.**

F. Revised budget estimates for the biennium 2016-2017

302. The revised budget estimates for the biennium 2016-2017 were introduced to the Pension Board.

303. The Board was informed that, while the implementation of IPAS had significantly increased operational capacity, the Fund secretariat continued to be chronically understaffed, especially when considering the higher than normal rate of separations resulting from the downsizing of peacekeeping operations and the efforts by member organizations and reporting entities to send the separation documentation to the Fund more expeditiously.

304. It was recognized a new approach was required to manage the increased workload resulting from that the "surge" in the number of separations. For that purpose, the Fund had had meetings with the United Nations senior management to agree on various actions aimed at creating additional temporary capacity for the processing of cases, preventing delays related to incomplete or inaccurate separation documentation submitted to the Fund and implementing a communications strategy to inform and engage stakeholders.

305. The proposed approach required the creation of a task force to be focused on calculating the less complex initial entitlement cases. The task force, to be led by a Task Force Manager redeployed from existing resources, would be composed of 2 Benefit Officers (P-3) and 12 Benefit Assistants (General Service) in New York and 2 Benefit Officers (P-3) and 2 Benefit Assistants (General Service) in Geneva. The

task force would operate for 17 months, over which time the Fund would evaluate the need for more permanent requirements in the next budget cycle.

306. The proposed posts would also allow for the creation of a quality assurance team to improve the quality of data and separation documentation submitted to the Fund. The team would deal directly with member organizations and the respective reporting entities.

307. The Fund secretariat proposed the establishment of two permanent posts: a Senior Communication Officer (P-5) in the Office of the Chief Executive Officer to implement a communications strategy, build stakeholder relations and ensure a strategic focus on the customer experience; and a Senior Management Analyst (P-5) to ensure continuous improvement in operations and to leverage the new system in a most efficient and coordinated manner. The Senior Management Analyst would chair the meetings of the change advisory board and ensure a coordinated approach both at an internal level and with pension focal points in the different reporting entities. The incumbent would participate actively in the end-to-end review to be conducted jointly with the United Nations and would also focus on opportunities for streamlining as well as interfaces with member organizations, including monthly reconciliations at the participant level. The incumbent would also establish and monitor performance indicators for the elapsed time in the different stages of the separation-to-benefit process.

308. Table 8 summarizes the requested resources.

Table 8
General temporary assistance requirements

Location	*Section*	*Position*	*Number*	*Level*	*Period (number of months)*
New York	Operations	Benefit Officer	2	P-3	17
New York	Operations	Benefit Assistant	12	General Service (Other level)	17
Geneva	Operations	Benefit Officer	2	P-3	17
Geneva	Operations	Benefit Assistant	2	General Service (Other level)	17

309. In addition, two established posts at the P-5 level were requested: Senior Communications Officer and Senior Management Analyst.

310. The Fund's Chief Executive Officer also provided a list of action items, measures and challenges that would be included in the Fund's approach to addressing the "surge" in case volume:

A. For immediate action (upon approval of budget request)

1. Establish the task force (recruitment in progress).

2. Establish a dedicated quality assurance team (especially needed for employing organizations which have field offices and have difficulties in submitting clean, accurate data).

3. Implement a dedicated survivors' benefit/disability benefit team in New York and strengthen the one in Geneva.

4. Process surge cases (approximately 3,000 cases for the next 17 months):

(a) Includes those to be processed under the "new" batch approach, which simplifies processing and requirements (approximately 300 cases) and addresses needs of local staff in field missions;

(b) Electronic submission of documents (*a posteriori* review of separation documentation, payment instructions).

5. Increase number and frequency of pre-retirement seminars, including by videoconference; develop online capabilities.

6. Implement first revamp of the Fund's web page by January 2017.

7. During surge maintain processing period of six to eight weeks.

8. At end of surge (depending on peacekeeping schedule) return to four-week processing period (for actionable cases with all documents received by the Fund without discrepancies).

9. By November 2016, include ageing in tracking reports for employing organizations and request that all employing organizations have a focal point. In addition, ensure coordination with staff pension committees and payroll units in all reporting entities.

10. Identify opportunities for streamlining as part of the mandate of the task force, considering the ideas presented in the conference room paper prepared by the participants group (see para. 311 below) and the "concept papers" for the whole office review and the review of client service activities, including streamlining the control mechanisms.

11. Implement a pilot client services call centre as soon as possible but no later than the second quarter of 2017.

12. Provide in situ support to missions in Africa before end of year (pre-retirement seminars, training human resources counterparts in pension matters, support for submission of separation documentation to the Fund in a more expedited manner).

13. Deputy Chief Executive Officer to start and head a working group with staff pension committees on self-service (information technology-related technical teams, training, estimates, monthly refresh).

14. As Secretary of the United Nations Staff Pension Committee, the Chief Executive Officer will assign focal points for all reporting entities.

B. Measures requiring approval of the Board

Implement a provisional monthly benefit option (only for periodic benefits when entitlement has been duly verified and has more than three months of being actionable in the Fund's workflow); establish controls and reconciliation mechanisms. In the long term this will of course require additional resources (double calculation of cases).

C. Measures requiring action by member organizations

1. End-to-end review with United Nations and member organizations (including identification of best practices). Some expected outputs of the review:

(a) Blueprints for the development of a case-status dashboard;

(b) Recommendations for better use of interfaces;

(c) Recommendations to improve data quality;

(d) Recommendations to utilize electronic exchange of information with participants whenever possible.

2. Delinking of transmittal of separation documentation from human resources/payroll clearance.

3. Mutual service level agreement(s) between the Fund and reporting entities to improve coordination and the quality of information sent to the Fund (principle of data, process and control ownership).

4. Interface development — active participation (jointly define "push or pull" approach).

5. Provide support/better information to the separating staff member/participant.

6. Provide advance notice to the Fund of separations for better workload planning.

7. Monthly reconciliations of data received through interfaces.

D. Medium-term measures

The proposals contained in the whole office review and the review of client service activities will be considered in the 2018-2019 budget request, including:

(a) Further enhancements of IPAS (member and employer self-service);

(b) Interfaces (data exchange);

(c) Communication strategy;

(d) Specialization of client services;

(e) Service hubs in all regions;

(f) Improvements in the certificate of entitlement process;

(g) Risk-based approach to processes;

(h) Further streamlining.

E. Challenges

1. Changes in adoption of new pensionable remuneration rates owing to possibility of different dates of implementation by member organizations. The Board has requested the United Nations Secretariat to send the correct pensionable remuneration data to the Fund for those

cases that fall under the delayed implementation period (i.e. January to August 2017).

2. Volatility in caseload.

3. Noise/negative campaign that distracts managers, causes low morale in staff, floods the Fund with unnecessary calls and requests and unnecessarily alarms the Fund's constituents.

4. The Fund operates with very limited resources and most areas need strengthening of staffing levels (as recognized in the last three comprehensive risk assessments and in the recent client services assessment).

311. The participants group submitted a conference room paper on "Measures to ensure timely payment of benefits to new retirees". This paper made a number of suggestions, such as reinforcing the existing automated data exchange from the enterprise resource planning systems of the organizations to IPAS; delinking the processing of separation notifications by employing organization from the settlement of payments due to the organization by the former staff member; proactive calculation of pensions when separation takes place at the mandatory age of separation; payment of an initial approximate benefit in cases of delays; maintaining a list of ad hoc teams that could assist in peak times; and providing lists of pending cases to member organizations, including the United Nations. The suggestions were found to be in line with the action items identified by the Chief Executive Officer.

312. FAFICS supported the requests made by the Fund for increased resources, including the creation of a temporary task force to deal with the surge in the number of new retirees, the recruitment of a senior management analyst to assist in the review of the end-to-end process for paying pensions and the establishment of a call centre to provide timely replies to queries. The previous year FAFICS had called for improved client services in the Fund secretariat. While it was pleased to see that the Fund had now engaged a Communications Officer, it reiterated its earlier plea for a reorganization and strengthening of its client service operations.

313. **After carefully considering the needs of the Fund and the plans presented by the Chief Executive Officer to deal with the surge in the number of separations, the Board approved the non-post resources requested for the 18 general temporary assistance positions for the creation of a task force. The Board also approved the two requested P-5 posts, but on a temporary basis, and requested the Fund secretariat to present those posts with a complete justification, accompanied by the corresponding organizational charts, at the sixty-fourth session of the Board, in the context of the Fund's 2018-2019 budget request. This means an increase in total resources for the biennium 2016-2017 from $179,078,300 to $182,307,000. The revised estimates for administrative costs for the biennium 2016-2017 are summarized in table 9. The Board also approved the detailed action plan presented by the Chief Executive Officer.**

Table 9

Revised estimates for administrative costs for the biennium 2016-2017 by object of expenditure

(Thousands of United States dollars)

Category	*Appropriations*			*Increase/(decrease)*			*Revised estimates*		
	Fund	*United Nations*	*Total*	*Fund*	*United Nations*	*Total*	*Fund*	*United Nations*	*Total*
Administrative costs									
Posts	31 944.5	14 309.2	46 253.7	–	–	–	31 944.5	14 309.2	46 253.7
Other staff costs	7 384.4	283.2	7 667.6	3 228.7	–	3 228.7	10 613.1	283.2	10 896.3
Hospitality	6.2	–	6.2	–	–	–	6.2	–	6.2
Consultants	631.6	–	631.6	–	–	–	631.6	–	631.6
Travel	1 025.2	–	1 025.2	–	–	–	1 025.2	–	1 025.2
Contractual services	13 154.2	2 394.3	15 548.5	–	–	–	13 154.2	2 394.3	15 548.5
General operating expenses	13 416.9	3 712.8	17 129.7	–	–	–	13 416.9	3 712.8	17 129.7
Supplies and materials	127.1	63.6	190.7	–	–	–	127.1	63.6	190.7
Furniture and equipment	1 329.7	618.4	1 948.1	–	–	–	1 329.7	618.4	1 948.1
Subtotal	**69 019.8**	**21 381.5**	**90 401.3**	**3 228.7**	–	**3 228.7**	**72 248.5**	**21 381.5**	**93 630.0**
Investment costs									
Posts	25 818.6	–	25 818.6	–	–	–	25 818.6	–	25 818.6
Other staff costs	3 501.4	–	3 501.4	–	–	–	3 501.4	–	3 501.4
Hospitality	27.5	–	27.5	–	–	–	27.5	–	27.5
Consultants	1 114.0	–	1 114.0	–	–	–	1 114.0	–	1 114.0
Travel	2 143.1	–	2 143.1	–	–	–	2 143.1	–	2 143.1
Contractual services	43 639.4	–	43 639.4	–	–	–	43 639.4	–	43 639.4
General operating expenses	7 350.6	–	7 350.6	–	–	–	7 350.6	–	7 350.6
Supplies and materials	253.4	–	253.4	–	–	–	253.4	–	253.4
Furniture and equipment	960.7	–	960.7	–	–	–	960.7	–	960.7
Subtotal	**84 808.7**	–	**84 808.7**	–	–	–	**84 808.7**	–	**84 808.7**
Audit costs									
External audit	655.4	131.1	786.5	–	–	–	655.4	131.1	786.5
Internal audit	1 763.5	352.7	2 116.2	–	–	–	1 763.5	352.7	2 116.2
Subtotal	**2 418.9**	**483.8**	**2 902.7**	–	–	–	**2 418.9**	**483.8**	**2 902.7**

Category	Appropriations			Increase (decrease)			Revised estimates		
	Fund	United Nations	Total	Fund	United Nations	Total	Fund	United Nations	Total
Board expenses	**965.6**	–	**965.6**	–	–	–	**965.6**	–	**965.6**
Total	**157 213.0**	**21 865.3**	**179 078.3**	**3 228.7**	–	**3 228.7**	**160 441.7**	**21 865.3**	**182 307.0**
Extrabudgetary costs (after-service health insurance system)									
Other staff costs	164.7	–	164.7	–	–	–	164.7	–	164.7

Provisional monthly payment option

314. In the context of the review of the revised budget estimates, the Board requested the Secretary/Chief Executive Officer to propose measures in response to the request by the executive heads and the participants group for a provisional payment measure, as well as the suggestions contained in the conference room paper (see para. 311 above) to accelerate and simplify benefit processing procedures. The Secretary/Chief Executive Officer considered that the adoption of a short-term measure to pay a provisional amount would alleviate some of the hardship being experienced by former participants. In that regard, the Board recognized that, in accordance with article 7(c) of the Regulations of the Fund, the Chief Executive Officer performs his functions under the authority of the Board and must certify for payment all benefits properly payable under the Regulations. The Chief Executive Officer proposed that the measure could be implemented in the following circumstances:

(a) The provisional payment option would be available in exceptional cases and apply to monthly periodic benefits only. Such payment would be initiated in cases where the Fund had received all required documentation and the case was considered an "actionable case" in the workload database, but the Fund had not been able to process the benefit within three months from the date that all documentation had been received;

(b) No payment would be made until the entitlement to a pension benefit under the Regulations of the Fund has been duly verified by the Fund;

(c) The Fund would inform the former participant and his/her employing organization that all required documents had been received and that an advance payment would be made;

(d) The Fund would also inform the former participant and the employing organization when his/her benefit has been reconciled and recalculated.

315. The Board recognized that, while this measure would alleviate the hardship caused to former participants by the delays in receiving their pension benefits, it would entail significant additional work for the Fund. All such cases require at least double calculation of the benefits, reconciliation at the time of recalculation, reversal of accounting entries as well as possible questions and legal challenges in respect of foreign exchange fluctuations, cost of living adjustments, etc. Moreover, it could have resource implications in the medium term (after 2017) depending on the implementation modalities and usage.

316. **In accordance with article 7(c) of the Regulations of the Fund, the Board authorized the Chief Executive Officer to implement a measure for provisional payment by early November 2016. The measure shall be applicable only to periodic benefits that have not been put into payment within three months of receipt of all documentation required for processing the benefit. The payment shall be limited to 80 per cent of the estimated monthly benefit payable.**

317. **The Board noted that the measure would entail more work for the Fund secretariat and might require additional resources. The Board requested that the Secretary/Chief Executive Officer submit a report to it at its sixty-fourth session on the implementation of the measure and usage, in order to determine the status and any resource implications.**

Chapter VIII
Audit

A. Report of the Audit Committee

318. The Chair of the Audit Committee introduced the tenth report of the Committee. The current membership of the Committee is set out in annex IX. The Chair informed the Board that during its meetings, the Committee had held comprehensive and candid discussions with the Fund's internal auditors (OIOS), the Chief Executive Officer of the Fund, the Representative of the Secretary-General for the Investments of the Fund, the Chief Financial Officer ad interim and other management representatives and the external auditors (United Nations Board of Auditors). On behalf of the Committee, the Chair thanked both internal and external auditors as well as the Fund's management for their excellent support and cooperation.

319. The Committee was pleased to acknowledge the progress made in many areas, including IPAS implementation; the expanded scope of the statement of internal control and the plan to start testing the controls supporting it; the drafting of a comprehensive Investment Management Division anti-fraud policy; the drafting of the financial rules of the Fund; the implementation of the Bloomberg Asset and Investment Manager system by the Investment Management Division; the ISO 27001 security management certification for the Fund secretariat; the recruitment of a Communications Officer for the Fund secretariat; and the generally healthy financial state of the Pension Fund. On the other hand, several areas of concern required management attention because they posed risks to the Fund's well-being, such as the continuing inability of the Pension Fund to fill several senior-level positions, including those of Chief Financial Officer and Director of the Investment Management Division. The Committee had also been concerned during the past year about the lack of a comprehensive and coherent information technology strategy for the Investment Management Division. And finally, much attention had been drawn to the Fund secretariat's struggles to process the large and growing benefits caseload.

320. With respect to internal audit, the Chair reported that the Audit Committee had endorsed the internal audit work plan for 2016, with the understanding that the work would enable the Committee and the Board to receive necessary assurances regarding the Fund's internal controls. Overall, the Committee was satisfied with the productivity of OIOS. However, the Committee was surprised to learn that OIOS had not planned to carry out the Committee's recommendation from the previous year to start testing the internal controls supporting the statement of internal control. It was pleased to learn that the Fund's management had hired an outside consultant to ensure that the testing would be done.

321. Regarding external audit, owing to the timing of the preparation of the financial statements, the audit did not start until June 2016. Consequently, neither the preliminary findings of the audit nor the information on the implementation of the earlier recommendations of the Board of Auditors was available for the Committee's review. The Committee would review the final audit report in November and report to the Pension Board in 2017. The Committee was pleased to learn that discussions had been undertaken to ensure that the Pension Board would

consider the final audit report at its annual meetings, beginning in 2017. The Committee encouraged all parties to continue working together to achieve the goal of providing the final report to the Pension Board in advance of the annual session of the Board.

322. The Audit Committee reviewed the Fund's financial statements for the year ended 31 December 2015. It noted that the Fund had implemented a cash flow statement, as recommended by the Board of Auditors. The Committee was pleased to note that the Fund had gradually expanded the scope of its statement of internal control and introduced a number of enhancements. The Committee expressed support for the plans of management to conduct testing using a consultant, and asked management to report back to the Committee on the results of the testing.

323. The Committee reviewed and endorsed the draft financial rules of the Fund. The Committee was pleased to note that the Fund had successfully concluded extensive consultations with all stakeholders, including the Office of Legal Affairs, internal and external auditors, the Controller and the Department of Management, and that the rules took into account the fundamental factors that distinguished the Fund's operations from those of the United Nations, namely, the nature of the Pension Fund, its regulatory framework and the source of financing.

324. The Chair reported that the Committee appreciated the continuous efforts to further strengthen risk management on both sides of the Fund. The Committee noted that the risk register was updated regularly, and that business continuity/disaster recovery testing was taken seriously. The Audit Committee found that the Fund's risk management policy and internal control framework were working well.

325. Throughout the year the Committee had received regular briefings about the vacant senior level positions in the Fund, which it had highlighted as a concern in 2015, but there had been little progress and the positions remained unfilled.

326. The Committee had received regular briefings on information technology in the Investment Management Division and was pleased to learn that the Bloomberg Asset and Investment Manager system had been implemented in January 2016. The Committee concluded that while some progress had been made in developing an information technology strategy in the Investment Management Division, it was not yet a comprehensive or coherent one. The Committee supported the intention of the Representative of the Secretary-General to seek external expert help in that regard.

327. The Committee noted that the IPAS project had been successfully implemented and that the transition had been seamless for those beneficiaries who were already in payment at the time of the transition to the new system. The implementation had also increased the operational efficiency of the Fund, with the monthly processing rates in 2016 considerably exceeding the long-term processing rates. The Committee commended the management and staff for its work on that very complex project.

328. The Committee noted that the Fund's management was faced with the challenge of an increase in cases waiting to be processed. In response, a series of management actions had been taken to process the caseload more quickly, including the creation of a temporary task force to add benefit-processing capacity and the designation of focal points with member organizations to track case lists. The Fund had begun to experience an additional surge in new incoming cases early in 2016, primarily resulting from the downsizing of peacekeeping and other field missions.

The Committee noted that the Fund management had developed a strategy to address the surge through a temporary increase in resources and was planning for future surges. Nevertheless, the Committee remained concerned about the surge and recommended that management intensify its efforts to forecast, plan and manage the Fund's caseload in the light of current and anticipated separations. In that connection, the Committee welcomed management's proposal to conduct a review of the end-to-end process in cooperation with member organizations.

329. The Chair of the Committee further reported that in 2015, in the midst of negative publicity about the Fund, OIOS had undertaken a special review and a separate investigation to examine a variety of accusations made against the Fund and its Chief Executive Officer. The report of the "special review", issued in December 2015, had concluded that allegations in most of the eight areas were unsubstantiated. However, OIOS had made four important but non-critical recommendations to strengthen controls and compliance. All of the recommendations had either been closed or were in implementation. While OIOS had not issued any report on the results of its investigations, the Committee had learned in June 2016 that OIOS had closed an investigation of accusations against the Chief Executive Officer without substantiating any of them. The Committee thus noted with concern that the accusations, which had been widely circulated and caused reputational harm to the Fund, had been made without any corroborating evidence.

Discussion in the Board

330. The Board appreciated the high quality of the report, which confirmed the crucial role played by the Audit Committee in the Fund's governance framework.

331. In response to a question about open audit recommendations, the Chair confirmed that the Committee reviewed their status at every meeting. He noted that management had made a serious effort to close the recommendations; the Committee was pleased that there were no open critical recommendations.

332. Regarding the proposed financial rules, the Chair recalled that their drafting had been an effort undertaken over 10 years. The latest version had been prepared in consultation with the Office of Legal Affairs and the Audit Committee, which included representatives of all constituent groups. The rules would codify existing practice and would therefore not change the Fund's governance in any way. In the view of the Chair, by delaying approval the Board would be failing to fulfil its governance role.

333. **The Board expressed its appreciation for the high quality of the Committee's report and endorsed the Audit Committee's recommendations, as follows:**

(a) **The Representative of the Secretary-General and the Chief Executive Officer should take all necessary measures to fill senior-level and other critical posts without delay;**

(b) **The Investment Management Division should, as a matter of priority, formulate a coherent and comprehensive strategy to guide and justify its critical and growing information technology requirements, both currently and in the future;**

(c) The Fund secretariat should intensify its efforts to forecast, plan for and manage its benefit caseload, in particular given the projected high volume of separations in the United Nations over the next several years.

334. **As recommended by the Audit Committee, the Pension Board adopted the financial rules of the Fund, as presented in annex VIII to the present report, and requested that Board members send any suggestions concerning possible additions or changes for the rules for the consideration of the Audit Committee no later than 30 October 2016. The Board requested that the Committee report back to it with any proposals for changes to the financial rules at its sixty-fourth session, in July 2017.**

335. **The Pension Board also endorsed the Audit Committee's continuing efforts to facilitate an agreement with the Board of Auditors aimed at improving the Fund's governance.**

336. **The Board thanked the members of the Committee for their professional service and dedication.**

B. Membership of the Audit Committee

337. The Chair of the Audit Committee recalled that Committee members were appointed by the Pension Board and served for four-year terms (non-renewable). Since the terms of one of the expert members and of the FAFICS representative expired in July 2016, the Board was requested to approve the appointment of two new members.

338. The Chair of the Audit Committee informed the Board that the Committee recommended Beatriz Sanz Redrado for appointment as an expert member, and that FAFICS had nominated Hazelien Featherstone as a representative of Fund retirees. The curricula vitae of the new members were circulated to the members of the Board.

339. **The Board expressed its appreciation of the level of qualifications of the nominees and approved the appointment of Beatriz Sanz Redrado as an expert member and the appointment of Hazelien Featherstone as a representative of Fund retirees, both to serve on the Audit Committee for the period from July 2016 to July 2020. The Board expressed its appreciation to the outgoing members, Paula Saddler and Michael Schrenk, for their commitment and their very positive contribution to the work of the Committee.**

C. External audit

340. The United Nations Board of Auditors was represented by the Director of External Audit and the Deputy Director of External Audit, India, who participated via videoconference.

341. The Pension Board was informed that the Fund's Chief Executive Officer, Deputy Chief Executive Officer and Chief Financial Officer had met with representatives of the Board of Auditors to plan possible modalities for the 2016 financial statements that would enable the Pension Board to consider the financial statements together with the final audit report of the Board of Auditors, in accordance with the request made by the General Assembly in its resolution 70/248.

342. It was noted that 2016 was a transitional year in light of the delayed preparation and submission of the financial statements for the United Nations (volume I) owing to the implementation of Umoja within the United Nations in November 2015. The Fund's financial statements had been submitted to the Board of Auditors on 3 June and the audit fieldwork had been conducted from 6 June to 8 July 2016. The Board of Auditors noted that it was preparing the draft audit report, which would be shared with management for comments and reviewed by the Audit Operations Committee. The Board of Auditors was not able to provide details about the draft audit report before the review was completed. However, it informed the Board that the audit had involved an examination of the Fund's financial statements, operations and investments. The timeline agreed to for 2016 would allow for the timely submission of the audit report to the Board of Auditors for review and approval by September 2016. The Audit Committee of the Pension Board would review the final audit report at its meeting in November and report back to the Pension Board at its sixty-fourth session, in July 2017.

343. Regarding the arrangements starting in 2017, the Board was informed that after review and discussion, the Fund management and the Board of Auditors had agreed that that the best modality would be to propose to the Pension Board that it schedule its annual meeting during the last week of July. That arrangement, which had also been communicated to the Audit Committee, would allow the Board of Auditors to review and approve the report at its meeting, which was normally scheduled on the last Tuesday or Wednesday of the month of July. Subsequently, the Board of Auditors would present the final audit report to the Pension Board on Thursday of that same week. That "synchronization" of meetings would be consistent with the General Assembly resolution and would also allow for the editing and translation of the Pension Board's report to the General Assembly.

344. The Board of Auditors further reported that it had discussed the draft financial rules with the Fund's management and was in agreement with the version of the rules presented to the Pension Board.

Discussion in the Board

345. The governing bodies noted with appreciation that the agreement between the Board of Auditors and the management of Fund to make the final audit report available to the Pension Board would significantly improve the Fund's governance and would be aligned with best practice.

346. **As the final audit report for the current year was not yet available, the Board requested the Audit Committee to review and provide feedback on the external auditors' report and recommendations at the next session of the Pension Board, in July 2017.**[1]

347. **The Board requested the Chief Executive Officer of the Fund to coordinate with ICSC with a view to preventing, insofar as possible, overlaps between the proposed timeline and the meetings of ICSC and the CEB Human Resources Network, and to ask those groups to adjust their calendars if needed.**

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[1] The report of the Board of Auditors was subsequently made available and is set out in annex XVIII to the present report.

348. The Board endorsed the proposed timeline for the presentation of the Board of Auditors report. The Pension Board also supported the proposal to schedule the Pension Board session in the last week of July and requested the Fund secretariat to continue coordination with ICSC and the CEB Human Resources Network to avoid, insofar as possible, any overlaps between meeting schedules.

D. Office of Internal Oversight Services

349. The Deputy Director of the Internal Audit Division of OIOS presented the report on the activities of OIOS for the year ended 30 June 2016.

350. In accordance with the three-year risk-based audit plan endorsed by the Audit Committee, OIOS had issued nine audit reports from 1 July 2015 to 30 June 2016. Four audit assignments were ongoing as of 30 June 2016. One audit assignment was rated as satisfactory, while six other audits were rated as partially satisfactory. Because of their different nature and objectives, the advisory service relating to the statement of internal control and the special review of selected issues were not rated.

351. OIOS was conducting an audit of the management of delays in the processing of pension benefits in UNJPSF. That audit assignment was not included in the risk-based audit plan approved by the Audit Committee.

352. OIOS had issued 39 important audit recommendations during the year ended 30 June 2016, none of them critical. In addition, OIOS had identified various opportunities for improvement as part of the advisory engagement on the statement of internal control. It was noted that the Fund's management was actively engaged in addressing open audit recommendations.

Discussion in the Board

353. The governing bodies asked why OIOS would not be testing the internal controls supporting the Fund's statement of internal control. It was recalled that the testing of internal controls had been included in the OIOS audit plan for 2017 and that that was a recommendation of the Audit Committee and the Pension Board. OIOS explained that the statement of internal control was prepared by the Fund's management and that internal audit independence might be compromised if OIOS were to repeatedly test internal controls on behalf of the management of the Fund.

354. The Board recognized that the Fund's management had proactively decided to use the services of a consulting firm for the testing of internal controls. When asked about its role in the statement of internal control process, OIOS stated that the internal audit role could be discussed again when the results of the testing of internal controls were available.

355. The Board asked OIOS about the criteria used for rating audit reports and recommendations. OIOS explained that it applied the same definitions and rating criteria to all United Nations organizations. Audits were rated as partially satisfactory if there were no critical or pervasive deficiencies that might put at risk the achievement of the objectives under review. The audit ratings assigned to the Fund reflected the determination that internal controls were effective in general, but there were certain areas for improvement.

356. FAFICS mentioned that an OIOS investigation had cleared the Fund's Chief Executive Officer of unsubstantiated allegations of fraud and mismanagement and asked when OIOS would publish those results. The OIOS representative could not provide that information and agreed to request Investigations Division of OIOS to respond to the Pension Board.

357. Regarding the audit of management of delays in the processing of pension benefits, the Vice-Chair of the Pension Board, in her capacity as a representative of WHO, mentioned that her organization had been contacted by an OIOS audit team requesting information for an audit. OIOS was asked to provide clarification of the purpose and the scope of the audit and the information being requested from member organizations, since the information requests did not seem to align with the subject of the audit (cause of delays). OIOS stated that it was contacting the Fund's member organizations because the processing of pension benefits started with the separation of the participant, and the objective was to identify opportunities to expedite the separation and processing of benefits. OIOS informed the Board that it expected to conclude the audit field work and issue the audit results for management comments by 31 August, and that the audit report would be issued in the fall of 2016.

358. Finally, when asked about the results of the audit of market risk management in the Investment Management Division, OIOS stated that the audit was rated as partially satisfactory and included five important recommendations, namely: (a) to update the procedures for the management of market risk; (b) to document the process for establishing the tracking risk budget; (c) to define a revised approach to the use of tactical asset allocation as an investment and risk management tool; (d) to clarify the requirements and analysis required for investment decision-making; and (e) to address the high exposure to currency risk.

359. **The Pension Board took note of the report of the Office of Internal Oversight Services for the year ended 30 June 2016. The Board requested OIOS to inform it when the results of the investigation that cleared the Fund's Chief Executive Officer from unsubstantiated allegations would be published.**

Chapter IX

Governance matters

A. Strategic framework

Strategic framework of the Fund for the biennium 2018-2019

360. The Board had before it the document containing the Fund's strategic framework for the biennium 2018-2019. Following the guidance of the Board, the strategic framework follows the format and approach of the strategic plan documents used in the United Nations budget process. It identifies the main priorities and objectives of the Fund for the biennium 2018-2019 and serves as the basis for planning, budgeting, monitoring and evaluation. The strategic framework presents a Fund-wide perspective (including the Fund secretariat and the Investment Management Division) and was prepared with the broad participation of all functional areas of the Fund. It builds on the findings and recommendations of various assessments and reports that have been submitted for the consideration of the Board at its past and current sessions, as well as the outcome of strategic planning meetings held in 2013 and 2016 for senior and functional managers.

361. As a result of the strategic planning exercise conducted in 2016, and in line with the Fund's mission and long-term objectives, the following priorities have been identified for the biennium 2018-2019: consolidating the target operating model for IPAS; implementing a new (state-of-the-art) client servicing model; reinforcing communications; and further improving data management. These priorities are in line with the recently concluded whole office review and the review of client service activities, which suggested changes in organizational structure and reinforcement of staffing commensurate with the volume, complexity, diversity and global scope of the Fund.

Strategic framework for the biennium 2014-2015: update on indicators

362. As part of the Fund's accountability, the Chief Executive Officer provides annual updates on the indicators of achievement contained in the Fund's strategic framework. The document before the Board provided a progress report for the two-year period 2014-2015. Despite the continuing growth in the number of individuals serviced by the Fund, the maturing of the plan, changes to the plan design, the very significant increase in transactional volumes and the heavy demands of the large-scale implementation of IPAS, the Fund met the majority of the performance indicators for the biennium. Given the above-mentioned challenges, however, the performance numbers in respect of benefits processing had been slipping, highlighting the need to strengthen the client servicing capacity of the Fund in accordance with the concepts presented to the Board in various studies and reports at its sixty-first and sixty-third sessions.

Discussion in the Board

363. The Board welcomed the 2018-2019 strategic framework. It noted that the document showed a high level of professionalism and maturity in thinking about the Fund's core business and presenting it in a coherent manner. The document also reflected the comprehensive strategic planning process undertaken by the Fund management. The Board thanked the Chief Executive Officer for the update on

indicators, which enhanced transparency and was an example of the scrutiny to which the Fund subjected itself.

364. Expressing concern about the length of the time that posts remained vacant, Board members asked what steps the Fund's management was taking to speed up recruitment.

365. Commenting on the priorities for 2018-2019, FAFICS opined that implementing the "state-of-the-art" client servicing model should be the first priority for the Fund.

366. The participants group emphasized the importance of active human resources management and requested that a relevant indicator be included for both sides of the Fund.

367. The Deputy Chief Executive Officer thanked the Board for approving temporary resources that would help the Fund to address short-term challenges. In response to a question about the baselines and targets, he clarified that those would be defined in 2017 in the budget document. The Board noted that it would also be useful to have information on how performance measures would be calculated. The Deputy Chief Executive Officer confirmed that that information would be provided the following year.

368. The Deputy Chief Executive Officer noted that recruitment was a challenge, as it required a strong commitment from hiring managers who were already experiencing a heavy workload. The Chief Executive Officer noted that the Office of Human Resources Management had granted certain human resources flexibilities to the Fund, which would hopefully help the Fund to speed up recruitment. He agreed that the Fund needed human resources expertise, as noted in the whole office review. That would be considered as part of the overall review of administrative services. Answering a question about the priority relating to the consolidation of the IPAS target operating model, the Chief Executive Officer noted that, in addition to the new system, the target operating model included other elements, such as interfaces, further system enhancements, the way the Fund communicates with the member organizations, self-service and the new client servicing model.

369. The Representative of the Secretary-General noted that the nature of the Investment Management Division was different from that of most other United Nations entities, as its primary business was investment management. The strategic framework and the document on performance indicators currently had components which did not perfectly capture or assess the activities of the Investment Management Division. For example, the way in which performance was assessed in paragraph 39 of the report on indicators was not optimal. The table in that paragraph showed that 50 per cent of the indicator had been achieved, since the Fund had outperformed its policy benchmark in only one of the two years of the biennium.

370. In response to a related question, the Representative of the Secretary-General confirmed the appropriateness of the manner in which the Fund had been measured against the policy benchmark and the 3.5 per cent real rate of return objective, as reflected in both the strategic framework and the report on indicators.

371. The Representative of the Secretary-General said that the current indicators would be reviewed, and suggestions for improvements to the indicators would be submitted for consideration.

372. The Representative of the Secretary-General agreed to a suggestion to add an annex to the reports, showing how performance in relation to the policy benchmark was calculated. She said that other related methodologies would also be reviewed for possible inclusion as an annex.

373. The Representative of the Secretary-General agreed with the Deputy Chief Executive Officer that it took too long to fill vacancies. She also noted that the Investment Management Division had received assistance recently from the Under-Secretary-General for Management. She expressed appreciation for that assistance and said that she hoped to see progress in filling the current vacancies and improvement in filling future vacancies.

374. **The Board approved the Fund's 2018-2019 strategic framework and took note of the update on the performance indicators for the biennium 2014-2015. The Board requested the Chief Executive Officer to refine the Fund's indicators on personnel management matters.**

B. Evaluation of the Chief Executive Officer

375. The Pension Board considered the performance evaluation of the Chief Executive Officer presented in the report of the bureau of the sixty-second session. The performance evaluation procedure was in line with the decision of the Board taken in 2012 following the proposal made by the search committee constituted by the Board in 2009 for the selection of the Chief Executive Officer.

376. As envisaged in the search committee's proposal, the bureau of the sixty-second session served as the evaluation panel. The Chair of the sixty-second session of the Board, as chair of the panel, presented the summary, key findings, observations and recommendations to the Board.

377. The Panel reported that the overall evaluation was conducted with reference to the job description established for the Chief Executive Officer, the stated competencies and assessment of his performance against, among others, the defined performance indicators contained in various Board documents.

378. A number of representatives from the governing bodies, the participants group, the executive heads and FAFICS commended the Board for establishing a best practice of a periodic formal evaluation of the Chief Executive Officer, expressed their appreciation to the bureau for engaging in the evaluation and noted it was an important governance tool.

379. On the substantive aspects of the Chief Executive Officer's performance, various representatives echoed the panel's assessment that the Chief Executive Officer's overall performance had been effective and successful and emphasized the importance of his leadership for the Fund's successes during the period of evaluation. It was also noted by representatives from all the groups that despite a number of challenges, including the limited human resources in the secretariat and the demands on staff time made by technology initiatives (including the implementation of IPAS), the Fund's secretariat was well poised with a clear vision for the "way forward". In that respect, members of all three constituent groups and FAFICS commended the Chief Executive Officer and his staff and expressed confidence in his leadership for the continued management of the Fund.

380. A number of Board Members remarked that the panel's observations on operational challenges, such as the delay in payment of pension benefits to new retirees in 2015 resulting from the coincidence of the implementation of IPAS and the unexpected surge in staff separations, had already been addressed during the current Board session. That aspect of the Chief Executive Officer's performance had to be viewed in the broader context of the implementation of IPAS and the complexity of the Fund, especially as related to timely and accurate provision of information from organizations and the participants. A number of Board members underlined the role of the Chief Executive Officer in the very successful implementation of IPAS and the handling of the critical situation with the delay in payment of pension benefits to newly retiring staff. They also commended the Chief Executive Officer for the fact that there had been no disruptions in the monthly payment of benefits to the 72,963 retirees and beneficiaries. Board members recalled that a number of suggestions had already been made by the Chief Executive Officer and endorsed by the Board during this sixty-third session to improve the process and to meet the challenges of such critical situations in the future.

381. In response to a question from a representative of the governing bodies, the chair of the panel evaluation confirmed that the panel as a group had met on multiple occasions with the Chief Executive Officer, sufficient discussion had taken place to review specific goals, benchmarks and performance indicators and all relevant feedback had been provided to the Chief Executive Officer.

382. During the discussion a number of Board members noted that the panel's recommendation in paragraph 7 concerning performance evaluation for the Representative of the Secretary-General was not a matter for suggestion for the panel. **The Board decided not to approve the recommendation in paragraph 7 of the report of the panel evaluation, noting that that issue was addressed in paragraph 405 (e) of the present report.**

383. In response to a query from the executive heads, the chair of the panel explained that a 360-degree assessment was one of several options and could be considered, among other useful techniques, for future evaluations, especially given the wide range of stakeholders and staff that the Chief Executive Officer interacted with. Such an assessment could also include consultations with the staff pension committees.

384. On the question of the Board's endorsement of the report's recommendations, a representative from the executive heads noted that a clear distinction had not been made between two distinct processes, namely the performance evaluation and the recommendation for contract extension. On the latter, the Board noted that action would need to be taken at the sixty-fourth session of the Board, scheduled for July 2017.

385. **The Board took note of the result of the performance evaluation of the Chief Executive Officer, as well as the formal proposal already presented in response to paragraph 14 of the performance evaluation report, which is reflected in paragraphs 310 and 314 to 317 above. The Board approved the conclusions and recommendations of the evaluation panel, including those made in paragraphs 28 and 29 of the panel's report, as reproduced below:**

> 28. **The Panel considered that taken in its entirety the Chief Executive Officer's overall performance has been effective and successful. He has**

remained focused, resourceful and hands-on in addressing the numerous strategic, technical and resources challenges faced by the Fund, but also in handling the criticism from those attempting to discredit him personally and the Fund by implication. More specifically, the Chief Executive Officer has met and achieved most of the objectives established in the Fund's strategic framework, and demonstrated the required managerial competencies. Because of his strong information technology skills and vision for the Fund, he has proved to be the right person for the job at this particular time in the history of the Pension Fund. The panel is convinced that the Chief Executive Officer understands that new benefit processing, client services and communication are areas that require strengthening and notes that he has taken and will continue to take concrete steps to improve them.

29. **In light of the above, the Panel notes that reappointing the current Chief Executive Officer would provide for the critical continuity of programmes already under way and the required associated institutional memory. It would also enable him to complete the next stages of the IPAS enhancements (including client servicing functionality) and carry out his vision in respect of other areas in the Fund.**

C. Report of the Assets and Liabilities Monitoring Committee

386. The Chair of the Assets and Liabilities Monitoring Committee introduced the third report of the Committee and summarized its key observations and recommendations.

387. It was recalled that one of the functions of the Assets and Liabilities Monitoring Committee was to review the investment policy. Among other aspects, the Committee had recommended that the policy clearly define a strategic investment objective aligned with the fiduciary responsibility of acting in the best interests of the Fund. The Committee expressed concern that the Investment Management Division had been operating with an outdated investment policy and that that exposed the Fund to governance, investment, compliance and operational risks.

388. The Committee reported that the Fund had underperformed against the real rate of return objective in 2015 and against both the policy benchmark and the real return objective in the first half of 2016. The Committee noted that failure to meet benchmarks on a continued basis would threaten the long-term sustainability of the Fund and that therefore, it was important to analyse the reasons for the underperformance of the Fund's investments in 2015 and 2016.

389. It was also emphasized that the strategic asset allocation was the major determinant of investment performance. In that respect, the Committee noted the need to identify and implement tactical strategies that contribute to generating positive returns to achieve the long-term investment objectives. The Committee noted that the minutes of the Investments Committee did not provide evidence that the Investment Management Division was using tactical asset allocations to achieve the investment return objective and to deal with short-term market conditions.

390. In addition, the Committee noted low attendance levels at the meetings of the Investments Committee. It remarked that changes in the responsibility of the

Investments Committee to review tactical investment strategies, or the obligation of the Investment Management Division to present strategy changes to the Investments Committee before applying them to the management of the portfolio, would reduce oversight and transparency in the management of the Fund's investments.

391. Considering that investment underperformance had worsened in recent periods and could be aggravated under uncertain conditions, the Assets and Liabilities Monitoring Committee recommended that the Board have a specialized third party conduct an in-depth review of the Fund's main practices, investment management and risk management in relation to those of other public pension funds or financial institutions, which had doubled their assets in recent years. The Committee recommended that the review be coupled with more frequent oversight of investments by the Secretary-General or a senior cabinet official.

392. Regarding risk management, the Committee expressed concern that the Investment Management Division was not assessing if the "total risk" assumed in the management of the investments was within acceptable levels, did not apply an ex-ante risk management analysis for illiquid asset classes, and needed to improve the risk-management reporting system.

393. Regarding senior level vacant positions, the Committee recalled that four out of five key senior-level positions in the Investment Management Division had been vacant for an extended period of time, exposing the Fund to serious risks that were exacerbated by the fact that no officers-in-charge had been appointed. As a result of key senior-level positions remaining vacant, the Investment Management Division was exposed to operational risks and control breakdowns and there was no risk management input for the approval of alternative investments. The Committee urged the Representative of the Secretary-General to focus on expediting recruitment to fill those positions before the end of the year.

394. The Assets and Liabilities Monitoring Committee reported that it also monitored other aspects impacting the Fund's solvency. Following the review completed by ICSC, the Committee had taken note of the limited impact on the Fund of the changes to the United Nations common system approved by the General Assembly at its seventieth session, as well as the actions taken by the Fund secretariat to start gathering data on the use of non-staff contracts. The Committee had not been able to discuss the results of the actuarial valuation as at 31 December 2015, as the study had not been completed by the time of its last meeting. The Committee would discuss the results at its November 2016 meeting.

395. Finally, the Committee emphasized the need for and importance of continuous interaction and an annual joint meeting with the Investments Committee to discuss market trends and their potential impact on the investments as well as the Fund's overall financial status. The Assets and Liabilities Monitoring Committee will continue reviewing the mechanisms for monitoring the financial position of the Fund in light of the updated investment policy and suggestions provided by the Committee of Actuaries.

Discussion in the Board

396. The Board acknowledged that the Fund's investments had underperformed against the real rate of return objective in 2015 and against both the policy benchmark and the real return objective in the first half of 2016. The representative

of FAFICS pointed out that Fund returns in relation to the 3.5 per cent real rate of return objective demonstrated that the Fund had not met that target in the one, two, five and seven-year periods. It had barely met the 3.5 per cent objective in the 10-year period and hence there was a danger that recent low returns would result in the Fund missing its objective when the 10-year period was rolled forward. It was therefore considered imperative to have an analysis of the reasons for the underperformance of the Fund's investments that allow for possible corrective actions to be identified. It was further recognized that the Fund was experiencing a period of increased market volatility and that it was difficult to balance short-term and long-term investment objectives. The executive heads suggested that the strategic investment objective of the Fund's investments reference the required 3.5 per cent real rate of return and provide a definition of "long-term".

397. The Board noted that the minutes of the Investments Committee meetings did not provide evidence that the Investment Management Division used tactical allocation. It recommended that additional details be included to reflect the advice provided by the Investments Committee and decisions made by the Representative of the Secretary-General, particularly with regard to tactical asset allocation for each quarter. It was suggested that in the future the latest tactical asset allocation targets be posted on the Investment Management Division's website on a quarterly basis. The Board also noted with concern the low attendance levels at the meetings of the Investments Committee and inquired about possible actions to ensure increased participation. The Board recognized progress in achieving geographical balance in the composition of the Investments Committee but noted that the Committee needed representation from Eastern Europe. The Board was informed that the Assets and Liabilities Monitoring Committee and the Investments Committee would meet in November 2016 to discuss issues of mutual interest.

398. The Board discussed the need and timing for the third-party specialized review of the investment operation as recommended by the Assets and Liabilities Monitoring Committee. It was concluded that the review was opportune and necessary to identify opportunities for improvement in the main practices, investment management and risk management of the Investment Management Division. The third-party review should not be limited to investment policy but cover the entire investment operation, risk management and performance. At the same time, it was recalled that similar reviews had been conducted in the past.

399. In terms of risk management, the Board discussed the importance of focusing on the application of the updated investment policy and shifting from risk measurement to risk management. The importance of adopting enhanced performance attribution and risk management methods was recognized. The participants group stated that that Investment Management Division needed to explain the reasons for the foreign exchange loss and observed that the Pension Board agenda did not include a report on Investment Management Division risk management.

400. The Board recognized that the vacant positions in the Investment Management Division created significant risks to the Fund and urged the Representative of the Secretary-General to expedite the recruitment of all senior-level and professional positions, preferably before the end of the year. The Representative of the Secretary-General reported that the filling of senior-level vacant positions was under way.

401. A representative of the governing bodies noted the need to clarify how the information contained in the report of the Assets and Liabilities Monitoring Committee related to the General Assembly request to receive information on the performance of the Representative of the Secretary-General. FAFICS observed that the updated investment policy would help to ensure that investment decisions were aligned with the fiduciary duty of maximizing investment return within the Fund's risk appetite to achieve the required real rate of return objective over the long term. It suggested that the Pension Board recommend to the General Assembly that the Assembly consider the report of the Assets and Liabilities Monitoring Committee to obtain information on the performance of the Representative of the Secretary-General.

402. The Pension Board stressed that the Board committees, the Chief Executive Officer of the Fund and the Representative of the Secretary-General should support the effective work of the Assets and Liabilities Monitoring Committee. That Committee represented the Board on investment matters and accordingly, its questions and information requests should be properly addressed, and on a timely basis. The Board recognized that, despite a consultative process, the Assets and Liabilities Monitoring Committee required time to build consensus and obtain the required interaction, mainly owing to its recent creation, the creation of the full-time position of Representative of the Secretary-General and changes in other key positions.

403. In addition to the discussion in the plenary, the Representative of the Secretary-General submitted a conference room paper on 18 July 2016, which provided a response to each of the observations and recommendations contained in the third report of the Assets and Liabilities Monitoring Committee.

404. The key points made in the conference room paper are the following:

(a) Investment performance reports are time-period-dependent;

(b) The Fund is making good progress towards its long-term investment objective (3.5 per cent real rate of return);

(c) The market value of assets was approximately $54.198 billion as at 18 July 2016, an increase of $1.378 billion since the end of 2014;

(d) The Fund's performance should not be compared to that of other pension plans, because the Fund is unique and has no true peers from either a liability or an investment perspective.

405. **The Pension Board approved with appreciation the report of the Assets and Liabilities Monitoring Committee and endorsed its recommendations as follows:**

(a) The Board requests the Secretary-General to adopt and sign a clear investment policy that demonstrates the Secretary-General's commitment to the fiduciary duty for the investment of the assets of the Fund, including the definition that the strategic objective of the Fund's investments is to maximize investment return within the Fund's risk appetite so as to at least meet the Fund's assumed real rate of return over the long term. The updated investment policy should consider other key recommendations of the Assets and Liabilities Monitoring Committee on investment policy;

(b) In light of the recent investment performance and to achieve the strategic investment objective, the Board agrees to have an in-depth review

conducted by an independent expert, considering the main practices, investment management and risk management of the Fund in relation to those of other public pension funds or similar financial institutions. The Board recommends that this review be coupled with more frequent oversight of investments by the Secretary-General or a senior cabinet official to ensure that recommendations of the Board are considered and investment risks are mitigated;

(c) The Board requests the Secretary-General to ensure that the Investments Committee is properly composed and continues to be used to advise the Representative of the Secretary-General on investment policy and the appropriateness of tactical investment strategies, including risk exposures, prior to their implementation;

(d) In light of the risks to the Fund's investments and impact on internal controls, the Board strongly urges the Representative of the Secretary-General to focus on expediting the recruitment for all vacant senior-level and professional positions in Investment Management Division so that they can be filled by the end of the year;

(e) The Board recalls that the General Assembly, in its resolution 70/248, reiterated its request to the Secretary-General to provide, in the context of future reports on the investments of the Fund, information on the performance of the Representative of the Secretary-General in discharging his or her responsibilities. In that connection, the Assembly may wish to take into account the relevant material provided in the report of the Assets and Liabilities Monitoring Committee.

406. **The Board asked to receive the results of the third-party review of investment practices in time for consideration at its sixty-fourth session, to be held in July 2017. The Assets and Liabilities Monitoring Committee will provide oversight and terms of reference for this study, after due consultation with the Representative of the Secretary-General. With regard to the additional resources needed to fund the study, the Investment Management Division should use resources already available in its budget for the current biennium.**

D. Membership of the Assets and Liabilities Monitoring Committee

407. The Chair of the Board informed the Board that the terms of all members of the Assets and Liabilities Monitoring Committee would expire in July 2017. To facilitate the retention of institutional knowledge, the Board was requested to approve the recommendation of the Committee (a) to extend the term of half the current members for two additional years; and (b) to renew the term of half the current members for four additional years, with no possibility of further renewal.

408. The Chair requested the constituent groups to select the members of the Committee representing their respective groups whose terms were to be extended and renewed, and to nominate alternates for the current members. The executive heads group agreed with the proposed recommendation and was ready to nominate its members according to the proposed staggered terms to retain institutional memory.

409. The governing bodies accepted the changes proposed in the report but requested clarification on the need to make a decision on membership during the current year. The participants group stated that it would not be advisable to modify

the terms of reference of the Assets and Liabilities Monitoring Committee before the current terms expired in 2017. FAFICS agreed that the Board could make a decision when the current terms expired in July 2017.

410. **The Board agreed to decide on the membership of the Assets and Liabilities Monitoring Committee when the terms of the current members of the Committee expire in July 2017.**

E. Review of the appeals procedure of the Fund

411. The Board was presented with a document concerning improvements to its appeals procedure, including the working methods of the Standing Committee. The document had been prepared by the Fund secretariat in close consultation with FAFICS and responded to a request made by the Board in 2014, as well as some issues raised by appellants in cases before by the United Nations Appeals Tribunal.

412. No changes were proposed to the current appeal mechanism or the roles of the staff pension committees, the Standing Committee and the United Nations Appeals Tribunal, pursuant to General Assembly resolution 63/253, as codified in the statute of the appeals tribunal (see resolution 63/253, annex II, article 2, para. 9), in relation to cases alleging non-observance of the Regulations of the Fund, the Administrative Rules and the pension adjustment system. Furthermore, the Board was advised that the Appeals Tribunal had on several occasions stated that the appellant's due process rights had not been violated by the fact that the Standing Committee relied only on written proceedings and considered appeals only at its annual meetings.

413. However, the document proposed that the working methods of the Standing Committee be improved and the role and independence of the Committee be strengthened. It was noted that reinforcing and further professionalizing the work of the Standing Committee would enhance accountability and fully reflect the principles on the basis of which the reform of the United Nations system of administration of justice had been undertaken.

Discussion in the Board

414. The chair of the 198th meeting of the Standing Committee briefed the Board on the informal discussions the Committee had held on the document during its meeting. He noted that, generally, all Committee members had supported the concepts of strengthening the Fund's appeals process and further professionalizing the working methods of the Standing Committee to increase transparency and reinforce due process rights. However, several members of the Committee felt that some of the proposals in the document appeared to have more far-reaching consequences, particularly in respect of governance in between the Board sessions, in case the role of the Standing Committee was only to considering appeals. Therefore, they were not ready to support the changes, particularly to article 4 of the Regulations of the Fund, at the current time.

415. At the same time, the members of the Committee noted that over the years, the Fund secretariat had improved its presentation of cases to the Standing Committee, and that the cases were presented in a more balanced way, including the full documentation and evidence provided by the appellant. Many Committee members

confirmed that they were satisfied with the way the legal office of the Fund presented the cases and stated that the existing practice in that regard should continue. The Committee also noted that several members had been serving in the Standing Committee for many years, and therefore there was already the required continuity, as well as expertise, to decide on the cases. Consequently, the Fund secretariat was requested to identify those proposals that could be implemented immediately, without any changes to the Regulations of the Fund or the rules, including the rules of procedure.

416. The secretariat clarified that the practice of sharing the respondent's answer with the appellant, in line with the existing practice of the Appeals Tribunal, could be started right away. The dossier submitted for the Standing Committee members would then include the original appeal, the respondent's answer and additional comments from the appellant, if any. The cover letter would consist of a short summary of facts, applicable regulations and rules and relevant jurisprudence. Moreover, the secretariat could publish a booklet on the appeals process, using plain and clear language to describe the process, and place additional information and guidance on the Fund's website. Finally, all constituent groups could be reminded of the need to nominate the members and alternate members to the Committee well in advance of the Board session in order to ensure that the cases could be distributed to them in a timely manner.

417. FAFICS welcomed the proposals for improving the appeals procedure, which had been worked out in close consultation between the Fund secretariat and FAFICS. FAFICS was appreciative of the openness displayed by the secretariat throughout the process. FAFICS welcomed in particular the greater degree of freedom accorded to the appellant and the provisions made for more transparency throughout the process.

418. Subsequently, the FAFICS representative reminded the Board members that they should review the existing Rules of Procedure and, as the first step, ensure that they were correctly implemented. He recalled particularly rules B.2, B.3 and B.7, with regard to the terms of the members and the two vice-chairs and the approval of the records by the Committee itself.

419. **The Board supported a gradual implementation of the proposed changes to the Fund's appeals procedure. It decided that those modifications of the proceedings of the Standing Committee that could be implemented without any changes to the Regulations and the rules should be implemented on a trial basis the following year, when the Board would meet for a shorter period of time. That would mean, for example, that the Standing Committee, with the same composition until the new one was appointed by the Board, would meet in 2017 before the Pension Board's sixty-fourth session and receive the documentation at least three weeks before the meeting.**

420. **In order to increase efficiency, the members of the Committee should receive and approve the records of the meeting soon after the meeting, in accordance with rule B.7 of the Rules of Procedure. A report would be submitted to the Pension Board for information. Meetings would continue to be confidential and held in private, and all records and correspondence of the Committee would also continue to be private and kept in the care of the Secretary of the Board (rule B.11 of the Rules of Procedure).**

F. Rotation schedule of the Pension Board and the Standing Committee

421. In 2006, the Pension Board adopted annual rotation schedules for Board and Standing Committee membership, which determine the participation of member organizations and the representation of the participants group, governing bodies and executive heads.

422. In 2011, the Pension Board decided to restart the rotation schedule adopted in 2006, thus extending the schedule to 2017. The Board, therefore, needed to decide on the rotation schedule for 2018 and beyond.

423. **The Board decided to restart the current six-year schedule so that the first rotation used in 2012 would be used in 2018, the 2013 schedule would apply in 2019, and so on, through 2023, as shown in annexes XI and XII to the present report.**

G. Self-evaluation survey of the Board

424. In 2010 the Board approved its first self-evaluation survey following the recommendations of OIOS and the Audit Committee.

425. The Chair of the Board reported that the fourth survey of the Board was scheduled to be completed at the end of the session, with the results to be presented at the Board's sixty-fourth session, in 2017. He urged all members, alternates and representatives of FAFICS to fill out the survey to achieve 100 per cent participation.

426. **The Board took note that the fourth self-evaluation survey would be available on the Pension Fund's website until 31 August 2016 and could also be completed in hard copy before leaving the Board session.**

Chapter X

Benefit provisions of the Fund

A. Application of paragraph 26 of the pension adjustment system

427. At its sixty-first session, the Board, considering the complexity of the two-track feature, the change in the global economic environment relative to the United States dollar since the inception of this feature and the difficulty of consistent administration, requested the Chief Executive Officer to develop possible economic and administrative parameters and updated language for the pension adjustment system to assist in the administration of paragraph 26, to be presented for the consideration of the Board at its sixty-third session (A/69/9, para. 353).

428. According to a note presented to the Board on the issue, paragraph 26 addresses the measures that may be taken when extreme economic situations develop within a country, creating extraordinary relationships between the dollar track and local currency track benefits. The provisions may also be applied when local currency track benefits cannot be calculated owing to missing consumer price index data or a change in the valuation of a currency. The Fund secretariat has implemented a comprehensive process of monitoring, analysing and recommending actions with regard to the relevant data and benefits of the two-track system. The Fund secretariat is also updating its internal administrative procedures to document the existing policy and practices regarding suspension of the local currency track benefit.

429. The Board was informed that the local currency track benefit has never been reinstated for a country in which it had previously been suspended. Because it is anticipated that a few countries could be considered for reinstatement in the near future, the Chief Executive Officer had developed proposed reinstatement procedures for the Board's consideration, as follows:

(a) Reinstatement could occur after stable economic trends had been demonstrated, following similar considerations as when a local currency track is suspended or discontinued;

(b) A new local currency track benefit would be established as from the date of reinstatement using the 36-month average of exchange rates at that date;

(c) The reinstatement would only occur if, for a majority of retirees and beneficiaries residing in that country, the new local currency track benefit was equal to or greater than the dollar track benefit at the proposed reinstatement date, that is, if the 36-month average of exchange rates created a local currency track benefit greater than the current dollar track benefit (converted to local currency using the quarterly exchange rate);

(d) Retirees and beneficiaries whose residence was in that specific country at the time of reinstatement would have the option to go on the two-track system at any time after reinstatement, but the local currency track benefit would be based on the amount determined as at the reinstatement date. A retiree or beneficiary could not elect to go off the two-track system once that option was chosen, just as under the current provisions of the pension adjustment system the initial choice of the two-track system cannot be reversed.

430. In considering the changes in paragraph 26, a FAFICS representative questioned the deletion of subparagraph 26 (b) (i), as it specifically described a common form of economic aberrance. The Fund secretariat explained that, because there were many causes of aberrances, it was best practice not to define a particular cause in the pension adjustment system. However, that specific language would be maintained in the Fund secretariat's administrative procedures.

431. The representative of FAFICS noted with appreciation that the analysis completed by the Fund secretariat was a significant improvement with respect to administration of paragraph 26 of the pension adjustment system. However, it was further noted, and agreed by the Fund secretariat, that to fully address the Board's request, further study should be given to the alternative of freezing rather than suspending the local currency track benefit under certain circumstances.

432. The representative of FAFICS stressed the importance of giving sufficient notice to retirees and beneficiaries in the event that the local currency track benefit was suspended. The Fund secretariat should consult with local offices of the Association of Former International Civil Servants as well as FAFICS before the suspension was announced, in order to assist in communications. The Fund secretariat noted that those considerations had already been made part of the Fund's administrative procedures.

433. **The Board approved the reinstatement procedures and specifically amended the pension adjustment system to provide for a new local currency track benefit to be established as at the date of reinstatement using the 36-month average of exchange rates as at that date. The Board also approved revised language for paragraph 26 of the pension adjustment system, as contained in annex XV.**

B. Report on the monitoring of the impact of currency fluctuations on pension benefits of the Fund

434. The Board considered a note on the impact of currency fluctuations on pension benefits for professionals. Each year, an update of the income replacement ratio analysis is completed and considered by the Board to monitor the effects of currency fluctuations on newly retiring staff members whose country of residence is outside the United States and who elect to receive benefits under the two-track feature of the pension adjustment system.

435. It was reported that the distribution of benefit payments by currency for those retirees and beneficiaries receiving benefits in currencies other than the United States dollar was as shown in table 10.

Table 10
Distribution of non-United-States-dollar benefit payments by currency

Currency	*Percentage*
Euro	55.0
Swiss franc	26.7
Pound sterling	4.7
Other	13.6
Total	**100.0**

436. It was noted that the distribution was similar to that reported in the past and that, of the countries using the Euro, the top four countries by benefit payment amount were France (45 per cent), Italy (21 per cent), Austria (20 per cent) and Spain (5 per cent).

437. The income replacement ratios for a sample professional employee retiring at age 62 at the top step of the P-4 level with 25 years of service were presented for the local track benefit compared to the target top step ratio for France, Austria, Italy, Switzerland and the United Kingdom. For comparison, the income replacement ratios for the dollar track benefit, as converted to the local currency, were also presented. The results for France, Italy and Austria, where no cost-of-living differential factor was applicable during the period reviewed, showed that the local currency track amounts had been yielding income replacement ratios either above or equal to the targeted rate for all separations reviewed since January 2009. During the same period, given the changing value of the United States dollar in relation to the euro, the dollar track benefit had been both above and below the local track benefit.

438. In considering the comparison for the United Kingdom, the local currency track benefit appears to be within a reasonable range of the targeted benefit rate throughout the period reviewed. The United States dollar track entitlement has been consistently decreasing since 2010 following the decreasing value of the dollar compared to the pound, and has been notably below the targeted benefit. This again demonstrates both the overall decline of the dollar relative to the pound sterling for most of the period reviewed and the advantage of the comparative provision in the two-track feature.

439. With respect to the income replacement ratios for Switzerland, the ratio for the local currency track benefit is very close to the targeted benefit rate and has been at that level since the cost-of-living differential factor became applicable at the beginning of 2011. The United States dollar track income replacement ratio is significantly below the targeted benefit rate throughout the period reviewed. The difference between the dollar track ratio and the local currency track ratio became more pronounced with the application of the cost-of-living differential factor. When compared to the local currency track benefit, this illustrates the financial protection being provided under the two-track feature.

440. **The Board took note that the local currency track pension amounts continue to be maintained at or near the targeted levels for the countries under review. It requested the Fund to continue monitoring the local currency track benefits and to report its analysis to the Board on an annual basis.**

C. Changes to the Regulations and Administrative Rules of the Fund

441. The Board was requested to approve several changes to the Regulations and Administrative Rules of the Fund. None of the proposed amendments created new benefits or changed the existing ones, but rather clarified or corrected the language of the relevant provisions in accordance with the current practice of the Fund. Several proposed amendments arose from other documents before the Board. The Board took note of the reservations of the ILO staff pension committee concerning the amendment to article 46 (f).

442. **On the understanding that the proposed amendments did not create new benefits or change the existing ones, the Board approved the proposed amendments to article 24 of the Regulations and rule J.7 of the Administrative Rules of the Fund, as provided in annexes XIII and XIV to the present report, respectively. The Board did not reach consensus in relation to the proposed amendment to article 46.**

D. Report on decisions of the General Assembly regarding changes in compensation proposed by the International Civil Service Commission

443. The Board was presented with a summary of effects of the changes to the United Nations common system approved by the General Assembly in resolution 70/244:

(a) **Salary scale structure, effective 1 January 2017.** Owing to the modifications to the salary structure that result from eliminating the dependency table, some participants' future pensionable remuneration will be changed slightly and ICSC has created a new pensionable remuneration table. The consulting actuary has estimated that this will have a minor effect on funding, as some participants' pensionable remuneration will be frozen for a transitional period, while the pensionable remuneration for other staff members will increase more than expected over time owing to the creation of additional steps within a few job grades. The consulting actuary also noted that the new pensionable remuneration scale might only be in effect for a few years, since the development of pensionable remuneration would be analysed starting in 2017;

(b) **Step periodicity for Professional staff, effective 1 January 2017.** Currently, staff move through the steps of their grades on an annual basis. This will now change to every other year once staff members reach step 7. The financial effects of this particular change could not be estimated by the consulting actuary because historical data on how staff members move through grades and steps is not available. It is noted that this change affects both liabilities (gains or neutrality) and contributions (loss);

(c) **Change in mandatory age of separation for existing staff, effective 1 January 2018.** This change will create a small gain for the Fund. The actual gain will not be calculated until the change is effective and incorporated into the 31 December 2019 actuarial valuation. No administrative changes are necessary, as this does not affect the programme of benefits already in effect for the affected staff members.

444. On 11 May 2016, the Secretary-General submitted a document to the General Assembly regarding the implementation of the new common system compensation

package in the Secretariat (A/70/896). The Secretary-General requested that implementation of the new unified base/floor salary structure and related entitlements and allowances be delayed until 1 September 2017 owing to technical and operational challenges. The Secretary-General included an analysis of the problems that retroactive implementation would create, mentioning the duplication of work that would be created with respect to pension benefits.

445. The Advisory Committee on Administrative and Budgetary Questions, in its related report (A/70/961), did not support the Secretary-General's proposals, citing both the need for synchronization and coherence among the organizations of the common system and the fact it was not convinced by the Secretary-General's assertion that the changes could not be implemented while maintaining the mandated effective dates. The Fifth Committee was unable to consider the report of the Advisory Committee at the resumed seventieth session of the General Assembly in the spring of 2016. Therefore, it is anticipated that the Assembly will consider the item during its seventy-first session, to begin in September 2016.

446. The Vice-Chair of ICSC provided a summary of the Commission's response to questions from the Advisory Committee on Administrative and Budgetary Questions regarding multiple effective dates for the new compensation structure among the organizations of the common system. ICSC is of the opinion that implementation should be synchronized among the organizations of the common system. The governing bodies of all other member organizations, including the United Nations funds and programmes, have already approved implementation as of 1 January 2017. Therefore, in the view of ICSC it is important that all organizations agree on any change in implementation dates, at least in respect of the introduction of the new unified salary scale and related entitlements.

447. From the Pension Fund's perspective, it was noted that if the effective dates for implementation were not harmonized across the member organizations of the Fund, for a limited period of time, that is, from 1 January to 1 September 2017 or another later date, there would be different salary scales and, consequently, different levels of pensionable remuneration for Fund participants at the same grade and step in different member organizations. That would raise legal questions as well as issues of equity and consistency.

448. Most importantly, it was noted that if retroactive application of the new salary structure included submission of revised pensionable remuneration amounts to the Fund after separation had occurred and the benefit (either monthly pension or withdrawal settlement) had already been calculated, the Fund would need to reprocess an estimated 3,000 cases.

449. The participants group expressed its concern regarding the possible inequitable treatment of participants if different effective dates were applied or if the United Nations applied the new pensionable remuneration rates retroactively, creating additional work for the Fund secretariat at a period of high processing volume.

450. The governing bodies expressed their concern regarding the processing delays that could occur owing to the additional work that the retroactive calculations would create. The governing bodies also expressed their support of the conclusions of the Advisory Committee on Administrative and Budgetary Questions.

451. **The Board, sharing the conclusions of the Advisory Committee on Administrative and Budgetary Questions, expressed concern that the potential**

delay in the implementation by the United Nations of the changes mandated by the General Assembly to take effect on 1 January 2017 could significantly increase the workload of the Pension Fund. The Board noted that, if the mandated effective date was maintained for the United Nations, with retroactive implementation, the benefits of all affected staff members who had separated would need to be recalculated, requiring additional resources and creating delays.

452. **The Board asked the Secretariat to make a concerted effort to supply the individual pensionable remuneration amounts on the basis of the new salary structure to the Fund secretariat at the time of each staff member's separation. Alternatively, should the necessary data be provided to the Fund on a retroactive and corrective basis, the Board requested that the United Nations provide the appropriate resources required to complete the additional processing work and be responsible for the appropriate communications to staff members regarding the processing delays. Further, it is expected that the United Nations will follow the principle of control over ownership of employment data in order to ensure that quality data are provided to the Fund to avoid delays in processing and payments.**

453. **The Board further requested that the Fund secretariat work closely with the Office of Human Resources Management and ICSC on this matter and participate in the deliberations of the Fifth Committee.**

E. Status report of the contact group (spousal benefits under articles 34 and 35 of the Regulations of the Fund)

454. At its fifty-eighth session, in 2011, the Pension Board established a contact group consisting of two persons from each constituent group and FAFICS to review issues and come up with proposals to clarify the earlier Board guidance concerning the eligibility for spousal benefits under articles 34 and 35 of the Regulations of the Fund. The contact group developed a framework that was approved by the Pension Board at its sixtieth session, in 2013. At the request of the Board and on the basis of the framework, the Chief Executive Officer issued guidelines on 1 April 2014 to address uncertainty as to eligibility for spousal benefits under the Regulations of the Fund.

455. On 26 June 2014, the Secretary-General issued new policy guidance (ST/SGB/2004/13/Rev.1) for determining the personal status of United Nations staff members for purposes of United Nations entitlements. The Secretariat policy specifies that the personal status of staff members is determined by the laws of the competent authority where the status was established, rather than the laws of the staff member's country of origin. A similar policy has been adopted by the majority of member organizations of the Fund.

456. After the policy changes in some of the member organizations, the contact group was convened again to discuss the potential implications of the revised policy on the framework approved by the Pension Board. The group held several meetings in 2015 and 2016 and studied legal, administrative, operational and financial consequences of potential changes to the current framework. The contact group recommended that the Pension Board instruct the Chief Executive Officer of the Fund to revise the implementation guidelines with regard to the application of

articles 34 and 35 to be in line with the Secretariat policy when the union is lawfully entered into and legally recognized by the competent authority of the location where the status is established and as long as the union has similar legal effects to those of a marriage, specifically conferring pension rights. Once the guidelines have been revised, they are to be communicated by the Fund secretariat to all United Nations human resources offices.

457. The contact group emphasized the documentary and administrative requirements for determining eligibility and processing benefit entitlements under the Regulations of the Fund and recalled the need for the employing organizations to provide the Fund with the supporting documentation and evidence of verification of the personal status of the staff member. Similarly, it recalled the responsibility of the staff member to provide the required documentation before separation from service.

458. The Pension Board approved the recommendation of the contact group to instruct the Fund's Chief Executive Officer to revise the implementation guidelines with regard to the application of articles 34 and 35. Once the guidelines have been revised, they shall be communicated by the Fund secretariat to all human resources Offices.

459. A Governing Body representative expressed his regret that the Secretary-General had changed the long-established policy framework of the Secretariat in determining the personal status of staff members by reference to the laws of the staff member's country of origin, which had been in place for the last 70 years.

Chapter XI
Other matters

A. Report of the 197th meeting of the Standing Committee

460. **The Board took note of the report of the 197th meeting of the Standing Committee, held in July 2015 during the sixty-second session of the Pension Board.**

B. Judgments of the United Nations Appeals Tribunal of interest to the Board

461. The Secretary/Chief Executive Officer provided information on four judgments issued by the United Nations Appeals Tribunal since the sixty-second session of the Board, in July 2015, in which the Pension Board had been the respondent.

462. The Tribunal upheld the decisions of the Standing Committee in two of the judgments: 2015-UNAT-569, *Pio v. UNJSPB*, concerning the effective date for suspension of the application of the local currency track for the payment of periodic benefits in Argentina; and 2015-UNAT-575, *Gomez v. UNJSPB*, concerning the base amount for deductions from monthly periodic benefits pursuant to article 45 of the Regulations of the Fund. The other two cases were remanded to the Standing Committee for further consideration: 2015-UNAT-607, *Zakharov v. UNJSPB*, concerning a direct appeal to the Tribunal following the decision of the Secretary/Chief Executive Officer decision not to submit the appeal to the Standing Committee since it concerned the transfer of pension rights to the Government of the Union of Soviet Socialist Republics, which matter had already been addressed by the Board and the United Nations General Assembly; and 2015-UNAT-608, *Teklu v. UNJSPB*, concerning the type of benefit that should be paid in respect of a participant who was vested in the Fund and had died without signing payment instructions indicating her choice of benefit.

463. **The Board took note of the above decisions of the United Nations Appeals Tribunal.**

C. Election of members of the Standing Committee (Rules of Procedure, rule B.1)

464. **The members of the Standing Committee, as elected by the Board in 2016, are listed in annex XVI to the present report.**

D. Selection of the members of the Budget Working Group for the review of the 2018-2019 budget

465. **The Board agreed that the process employed to review the proposed budget for the three previous bienniums had been very successful and should again be used for considering the 2018-2019 budget at the sixty-fourth session of the Board, in 2017.**

466. **To that end, the Board appointed the following members to the Budget Working Group for 2017:**

V. Yossifov (WIPO)	Governing bodies
H. Kozaki (United Nations)	Governing bodies
P. Owade (United Nations)	Governing bodies (alternate)
D. Thatchaichawalit (United Nations)	Executive heads
M. Wilson (ITU)	Executive heads
A. Rovira (FAO)	Participants
S. Koufane (ILO)	Participants
W. Sach	FAFICS
M. Breschi	FAFICS

467. **The Board requested that the Chief Executive Officer and Representative of the Secretary-General transmit the proposed budget to the Budget Working Group 45 days prior to the Board's sixty-fourth session.**

E. Venue and dates of the sixty-fourth session of the Pension Board

468. The Board took note of the invitation received from the United Nations Secretariat to host the Board's sixty-fourth session, in 2017, in New York. The Board noted that, in accordance with the established practice, the session would last for five working days, with training to be provided on the working day preceding the start of the session.

469. The Board recalled that in December 2015, the General Assembly, in its resolution 70/248, had invited the Pension Board, in consultation with the Board of Auditors, to make arrangements that would enable the Pension Board to consider, at its annual meeting, the final audit report of the Board of Auditors on the Fund's financial statements.

470. **With the General Assembly request in mind and in light of the established pattern in respect to the venue, the Board decided, subject to any logistical and space constraints that might arise, to meet at the United Nations Headquarters in New York in 2017, for five working days (namely 24-28 July 2017, subject to final confirmation by the Chief Executive Officer, taking into account the need to coordinate the dates with ICSC and the CEB Human Resources Network). In addition, a training session will be scheduled for Friday, 21 July.**

F. Other matters

471. The Board is aware of a number of articles that have been published on intranet network of the Fund's member organizations and in the press. Most recently, the Board became aware of an article dated 14 July 2016 on the Inter Press Service (IPS) website, written by Thalif Deen, which contains allegations that:

(a) The Fund is considering a proposal for outsourcing some of its assets for investments in Wall Street banks and hedge funds, as a result of the proposed new draft financial rules;

(b) There is a new human resources policy that reduces independence of Fund staff members;

(c) The actions that are the subject of the allegations are being implemented at a time when pension payments have been delayed "because of a switch to new technology by the Fund".

472. Mr. Deen identifies CCISUA as the source of the misinformation. The article states that "the President of the CCISUA told IPS the Chief Executive Officer of the Fund is trying to get the Board (meeting in Vienna) to approve new financial rules, which along with new human resources flexibilities he has already gained, would pave the way to remove the Pension Fund from the United Nations and allow outsourcing of investments for the first time". The article also alleges that the Fund is considering a proposal for outsourcing some of its assets for investments in Wall Street banks and hedge funds.

473. Even more gravely concerning is the fact that, even as the Board was deliberating during the current session, an individual or individuals having access to confidential Board documents not only engaged in the unauthorized sharing of Board documents, but also posted confidential Board documents on social media.

474. The Rules of Procedure of the United Nations Joint Staff Pension Fund (annex II to the Regulations of the Fund), in particular rule A.11, provide that the meetings of the Board shall be held in private and that the records and all correspondence of the Board shall also be kept private and in the care of the Secretary of the Board. Dissemination of confidential Board documents and their contents is, at a minimum, a breach of the Regulations of the Fund and the declaration signed by each member, representative and observer attending Board sessions.

475. The members of and representatives to the Board expressed their strong displeasure about the persistent dissemination and publication of such false allegations, which were considered unnecessary, wholly inaccurate and unfortunate. The statements made in the media about the Fund's leadership were seen as personal defamation, not based on facts and full of misinformation, both factually and legally.

476. Apart from having no basis in fact, such inflammatory and scurrilous assertions have caused and continue to cause grave concern and distress among the participants and beneficiaries of the Fund and divert the Fund's resources to activities that include answering a huge volume of telephone calls and e-mails from concerned participants and beneficiaries instead of attending to the critical management and operations of the Fund, including making pension payments to its beneficiaries and reducing the number of cases that are currently caught up in the "backlog". The members of and representatives to the Board find the press and other articles highly regrettable, and consider the statements made in the articles and the misinformation provided to the press not only grossly irresponsible but also far below the level of behaviour expected from international civil servants.

477. In the light of the foregoing concerns about the mishandling of confidential Board documentation, the Chair of the Board considers that the Board should keep under consideration the question of the status of certain observers in the Board's meetings.

Annex I

Member organizations of the United Nations Joint Staff Pension Fund

The member organizations of the United Nations Joint Staff Pension Fund are the United Nations and the following:

European and Mediterranean Plant Protection Organization

Food and Agriculture Organization of the United Nations

International Atomic Energy Agency

International Centre for Genetic Engineering and Biotechnology

International Centre for the Study of the Preservation and Restoration of Cultural Property

International Civil Aviation Organization

International Criminal Court

International Fund for Agricultural Development

International Labour Organization

International Maritime Organization

International Organization for Migration

International Seabed Authority

International Telecommunication Union

International Tribunal for the Law of the Sea

Inter-Parliamentary Union

Special Tribunal for Lebanon

United Nations Educational, Scientific and Cultural Organization

United Nations Industrial Development Organization

World Health Organization

World Intellectual Property Organization

World Meteorological Organization

World Tourism Organization

Annex II

Membership of the Board and attendance at the sixty-third session

1. The following members and alternate members were accredited by the staff pension committees of the member organizations of the United Nations Joint Staff Pension Fund, in accordance with the Rules of Procedure:

Representing	*Members*	*Alternates*
United Nations		
General Assembly	D. Chumakov	H. Kozaki
General Assembly	V. M. González Posse	L. Mazemo
General Assembly	P. R. O. Owade	Md. M. Rahman
General Assembly	T. Repasch	J. Stosberg
Secretary-General	Y. Takasu*	W. Sumitro
Secretary-General	B. Bartsiotas	K. Alford
Secretary-General	C. Wainaina*	
Secretary-General	D. Thatchaichawalit	
Participants	A. K. Lakhanpal[a]	
Participants	C. Monier	
Participants	A. O. Adeniyi	
Food and Agriculture Organization of the United Nations		
Governing body	S. Ellinas	
Executive head	F. A. Yegletu	A. Van Houtte
Participants	A. Rovira	
World Health Organization		
Governing body	M. Tailhades	
Executive head	C. Hennetier Rossier[b]	J. Kobza
Participants	K. Bruchmann[c]	H. Willmann
United Nations Educational, Scientific and Cultural Organization		
Governing body	G. I. Godia	
Executive head	A. Yli-Hietanen	

Representing	*Members*	*Alternates*
International Labour Organization		
Participants	S. Koufane	
International Atomic Energy Agency		
Participants	I. Zabaar	M. Kohl
United Nations Industrial Development Organization		
Participants	G. Boldt (18-22 July)	K. Lisengard (21-22 July)
International Civil Aviation Organization		
	L. Azzouni-Gerold (14-15 July)	
World Intellectual Property Organization		
Governing body	V. Yossifov[d]	
Executive head	T. Dayer	
Governing body	D. Mendez	
Executive head	R. Bhalla	K. Balram
International Telecommunication Union		
Participants	P. Ransome	O. Osmani
World Meteorological Organization		
Executive head	S. Liu	
International Maritime Organization		
Participants	S-J Kim	B. Moradi
International Fund for Agricultural Development		
Governing body	M. Rampedi	

2. The following attended the session of the Board as representatives, observers or as secretaries of staff pension committees, in accordance with the Rules of Procedure:

Representatives	*Organization*	*Representing*
I. Adjanohoun	UNESCO	Participants (13-18 July)
E. Voli Bi	UNESCO	Participants (19-22 July)
J-C Villemonteix	ILO	Executive head
S. A. Khan	UNIDO	Governing body
K. Ivanov	UNIDO	Executive head
B. Fitzgerald	WIPO	Participants
C. Dermarker	ICAO	Participants
P. Kantchev	ITU	Governing body
M. Wilson	ITU	Executive head
M. Schalk	WMO	Participants
M. De Gracia	IMO	Governing body
T. Bregliano	IMO	Executive head
P. Moreau-Peron	IFAD	Executive head
A. Holmes	IOM	Executive head
E. Mizerska-Dyba	ITLOS	Participants
K. Chestopalov	FAFICS	Pensioners
W. Sach	FAFICS	Pensioners
L. Saputelli	FAFICS	Pensioners
G. Schramek	FAFICS	Pensioners
M. Seenappa (Alternate)	FAFICS	Pensioners
L.D. Ouedraogo (Alternate)	FAFICS	Pensioners

Observers	*Organization*
W. Stöckl	ICSC
M. Rosetz	HLCM
D. El-Tabari	FICSA
E. Ovcharenko	CCISUA

Secretaries	*Staff pension committee*
B. Sperandio de Llull	WHO
C. McGarry	ILO
I. Welter	UNESCO
K. Guseynova	FAO
R. Dotzauer	UNIDO
D. Maffi, Deputy Secretary	WMO
M.-S. Zinzindohoué	WIPO
S. Suedi, Deputy Secretary	ITU
A. Barbato	IMO
L. Orebi	IFAD
R. Sabat	IAEA
S. Janowski	ICCROM
A. Verhas	IOM

3. The following attended all or part of the session of the Board:

Committee of Actuaries

D. Latulippe, Chair

B. K Y S Yen, Rapporteur

T. Párniczky

A. Scardino Devoto

Consulting actuary

T. Manning, Buck Consultants

S. Schulman, Buck Consultants

Assets and Liabilities Monitoring Committee

P. Sayour, Chair

S. Makokha

T. Panuccio

Medical Consultant

J. Farmer

Board of Auditors[e]

A. M. Bajaj

S. Jakhotia

OIOS[e]

G. Kumar

F. Salon

Pricewaterhouse Coopers, LLP (19-21 July)

P. Sparshott

S. Hall

Investments Committee (14 July)

M. Dhar

S. Jiang

A. Kassow

L. K. Mohohlo

Investment Management Division

C. Boykin, Representative of the Secretary-General for the Investments of the Fund

H. Bril, Director

T. Shindo, Deputy Director

S. Peerthum, Secretary, Investments Committee

P. David

D. Willey

H. Sastry

T. Hesounová

T. Wojciechowski

T. Burke

E. Hunt

E. Hilzinger

4. S. B. Arvizú, Chief Executive Officer, and P. Dooley, Deputy Chief Executive Officer, served as Secretary and Deputy Secretary for the session, with the assistance of A. Blythe, D. Liberatore, J. Sareva, C. Kaiser, D. Mapondera, K. Toomel, K. Manosalvas, L. Woodyear and M. C. O'Donnell[e].

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[*] Did not attend.

[a] Rapporteur.

[b] First Vice-Chair.

[c] Second Vice-Chair.

[d] Chair.

[e] By videoconference.

Annex III

Statement of the actuarial sufficiency, as at 31 December 2015, of the United Nations Joint Staff Pension Fund to meet the liabilities under article 26 of the Regulations

1. In the report of the thirty-third actuarial valuation of the United Nations Joint Staff Pension Fund, the consulting actuary has assessed the actuarial sufficiency of the Fund, for purposes of determining whether there is a requirement for deficiency payments by the member organizations under Article 26 of the Regulations of the Fund. The assessment as at 31 December 2015 was based on participant and asset information submitted by the secretariat of the Fund and on the Regulations in effect from 1 January 2016.

2. The demographic and other actuarial assumptions used, including a 6.5 per cent discount rate, were those adopted by the Pension Board at its sixty-second session, in 2015, except that future new participants were not taken into account and no future salary growth was assumed.

3. The liabilities were calculated using a plan termination methodology. Under that methodology, the accrued entitlements of active participants were measured on the basis of their selecting the benefit of highest actuarial value available to them, assuming termination of employment on the valuation date. The liabilities for pensioners and their beneficiaries were valued on the basis of their accrued pension entitlements as at the valuation date. For the purposes of demonstrating sufficiency under article 26 of the Regulations, no provision was made for pension adjustments subsequent to 31 December 2015.

4. All calculations were performed by the consulting actuary in accordance with established actuarial principles and practices.

5. The results of the calculations are set out in the table below:

Actuarial sufficiency of the Fund as at 31 December 2015

(Millions of United States dollars)

Item	*Amount*
Actuarial value of assets[a]	52 467.8
Actuarial value of accrued benefit entitlements	37 194.2
Surplus	**15 273.6**

[a] Five-year moving average market value methodology, as adopted by the Pension Board for determining the actuarial value of the assets.

6. As indicated in the table above, the actuarial value of assets exceeds the actuarial value of all accrued benefit entitlements under the Fund, based on the Regulations of the Fund in effect on the valuation date. Accordingly, there is no requirement, as at 31 December 2015, for deficiency payments under article 26 of the Regulations of the Fund. The market value of assets as at 31 December 2015 is $52,266.9 million. Therefore, the market value of assets also exceeds the actuarial value of all accrued benefit entitlements as at the valuation date.

Annex IV

Statement of the actuarial position of the United Nations Joint Staff Pension Fund as at 31 December 2015

Introduction

1. The actuarial valuation as of 31 December 2015 was performed assuming a 3.5 per cent real rate of return for future investment earnings and an assumed long-term inflation rate of 3.0 per cent. The remaining actuarial assumptions, which are of a demographic nature, were derived on the basis of the emerging experience of the Fund, in accordance with sound actuarial principles. The assumptions used in the valuation were those adopted by the Pension Board at its sixty-second session, in 2015, on the basis of the recommendations of the Committee of Actuaries.

Actuarial position of the Fund as of 31 December 2015

2. At its meetings in July 2016, the Committee of Actuaries reviewed the results of the actuarial valuation as of 31 December 2015, which was carried out by the consulting actuary. Based on the results of the regular valuation, and after consideration of further relevant indicators and calculations, the Committee of Actuaries and the consulting actuary were of the opinion that the contribution rate of 23.7 per cent of pensionable remuneration was currently sufficient to meet the benefit requirements under the plan, and should be reviewed at the time of the next actuarial valuation, as of 31 December 2017.

Annex V

Membership of the Committee of Actuaries

Member	*Representing*
B. K. Y. S. Yen (Mauritius)	Region I (African States)
S. Inagaki (Japan)	Region II (Asian States)
T. Párniczky (Hungary)	Region III (Eastern European States)
A. Scardino Devoto (Uruguay)	Region IV (Latin American and Caribbean States)
D. Latulippe (Canada)	Region V (Western European and Other States)

Ad hoc member	*Representing*
C. L. Nathal (Mexico)	Region IV (Latin American and Caribbean States)
K. Heubeck (Germany)	Region V (Western Europe and Other States)

Annex VI

Membership of the Investments Committee

M. Arikawa (Japan)

M. Dhar (Chair — India)

S. Jiang (China)

A. Kassow (Germany)

N. A. Kirdar (Iraq)

M. Klein (United States of America)

L. K. Mohohlo (Botswana)

G. Oliveros (Spain)

Annex VII

Financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2015

Letter of transmittal to the United Nations Board of Auditors

Please find attached the unaudited signed financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2015.

(*Signed*) Sergio B. Arvizú
Chief Executive Officer
United Nations Joint Staff Pension Fund

(*Signed*) Carolyn Boykin
Representative of the Secretary-General for the
Investment of the Assets of the Fund

8 July 2016

Statement of certification

The financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2015 have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) as issued by the International Public Sector Accounting Standards Board. The summary of significant accounting policies applied in the preparation of the financial statements is included in the notes to the financial statements. The notes provide additional information on and clarification of the financial activities undertaken by the Fund during the period covered by these statements.

I certify that the appended financial statements of the United Nations Joint Staff Pension Fund are correct.

(*Signed*) Dennis D. Liberatore
Chief Financial Officer, a.i.
United Nations Joint Staff Pension Fund

8 July 2016

Statement of internal control for the year ended 31 December 2015

Scope of responsibility

The United Nations Joint Staff Pension Fund was established by the General Assembly in 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and the other international organizations admitted to membership in the Fund. The Fund is a multiple employer, defined benefit plan and is governed by the United Nations Joint Staff Pension Board, a staff pension committee for each member organization and a secretariat to the Board and to each such committee.

As at 31 December 2015, the total assets of the Fund were approximately $52.4 billion. The market value of the Fund's investments, as defined by IPSAS, was $50.7 billion, accounting for 97 per cent of the total assets of the Fund. In 2015, the annual contributions to the Fund amounted to $2.26 billion, while the periodic benefit payments by the Fund exceeded this and amounted to $2.36 billion. Benefit payments are made in 15 currencies in approximately 190 countries.

The Chief Executive Officer of the Fund, who is also the Secretary of the Pension Board, discharges the Board's responsibility for the administrative supervision of the Fund secretariat. The Chief Executive Officer, under the authority of the Board, collects contributions, ensures record keeping for the Fund secretariat, certifies benefit payments and handles other matters related to the Fund's participants and beneficiaries. The Chief Executive Officer is also responsible for ensuring actuarial matters are addressed with a view to maintaining the long-term sustainability and financial health of the Fund.

The investment of the assets of the Fund is the responsibility of the Secretary-General. The Secretary-General has delegated his authority and responsibility to act on his behalf in all matters involving his fiduciary duties related to the investment of the assets of the Fund to the Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund. The Representative's delegated authority includes responsibility for the management and accounting of the investments of the Fund. The Representative exercises this duty and makes investment decisions after consultation with the Investments Committee and in the light of observations made from time to time by the Pension Board on investment policy.

The Chief Executive Officer and the Representative of the Secretary-General are responsible for establishing and maintaining a sound system of internal controls, in their respective areas of responsibility, to ensure the accomplishment of objectives, the economic use of resources, the reliability and integrity of information, compliance with rules and regulations and the safeguarding of assets.

Since the Pension Fund utilizes the United Nations Secretariat machinery for its human resources, administrative and procurement functions, the internal controls related to these functions follow the applicable United Nations regulations and rules. In addition, the responsibility for the execution of these functions is shared with the United Nations Secretariat. The Fund is therefore responsible for the application and observance of the internal control procedures defined by the United Nations in the activities under its responsibility.

Purpose of the system of internal control

The system of internal control is designed to reduce and manage rather than eliminate the risk of failure to achieve the objectives of the Fund and to improve performance. Therefore, it can only provide a reasonable and not absolute assurance of effectiveness. Internal control is an ongoing process, effected by the Fund's governing bodies, senior management and other personnel, designed to provide reasonable assurance concerning the achievement of the following internal control objectives:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable rules and regulations

The Pension Fund statement of internal control is related to the internal control objective of reliability of financial reporting and, therefore, its scope is limited to the review of internal controls over financial reporting as at the date of the statement and for the year ended 31 December 2015.

Capacity to handle risk

The Pension Fund has implemented a governance structure, management process and internal and external oversight mechanisms to identify, assess, manage, monitor and report the risks inherent to its operations. The enterprise-wide risk management framework adopted by the Fund reflects the nature of its operations and development as well as its specific requirements.

The Pension Fund internal control policy approved in May 2014 defines internal control objectives, components and responsibilities, as well as the lines of defence in terms of internal control which include: (a) management; (b) risk management and compliance sections; (c) internal audit; and (d) external audit. The Fund's internal controls over financial reporting are designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and authorized and that there are no material misstatements in the financial statements.

Pension Fund risk management and internal control framework

The purpose of the enterprise-wide risk management framework is to identify events that may affect the Pension Fund and to manage risk. The Fund's risk management framework includes the following components:

- *Risk management governance*. The operation of the risk management framework is supported by the full ownership and accountability of the Pension Board, management and staff for risk management activities. Specialized committees conduct oversight and provide advice to the Pension Board on risk management and internal control, as follows:
    - The Audit Committee oversees the work of internal and external auditors and receives information on the operation of the risk management and internal control framework;
    - The Assets and Liabilities Monitoring Committee advises the Board on risk management, funding policy, asset-liability management and investment policy matters.

- *Enterprise-wide risk management policy*. The policy provides the basis for the operation of the risk management framework and specifies its applicability throughout the Fund. The enterprise-wide risk management methodology complements the policy and defines the steps, roles and responsibilities in the risk management process.
- *Enterprise-wide risk assessment*. The Fund retains the services of independent consulting firms to prepare risk assessment reports every three years. Annual risk assessments are conducted by the Fund's management. Periodic risk assessment exercises serve as a basis for defining strategies to address the Fund's key risks.
- *Risk monitoring*. The Enterprise-wide Risk Management Working Group, chaired by the Fund's Chief Executive Officer and the Representative of the Secretary-General, includes representatives from all Pension Fund units and monitors the Fund's risk profile and the implementation of risk management strategies. Risk management officers in the Fund secretariat and the Investment Management Division promote the implementation of the enterprise-wide risk management framework, facilitate risk assessments, advise in the implementation of risk management strategies and monitor and report on the Fund's risk profile.

Review of internal controls over financial reporting

The Fund has taken the "Internal control-integrated framework" of the Committee of Sponsoring Organizations of the Treadway Commission as a guideline for assessing its internal controls over financial reporting. The review by the Fund management of the internal controls over financial reporting as at 31 December 2015 was informed by the following:

- The preparation of the statement of internal control involved:
    - A scoping process to identify key processes, accounts and disclosures and their supporting key information and communications technology (ICT) services;
    - Identification of key financial reporting risks;
    - Identification and evaluation of: (a) entity level controls, (b) key controls over financial reporting, and (c) key ICT general controls that support the financial reporting;
    - Review of the results of assurance activities conducted for the Fund.
- The Pension Fund 2015 procedures did not include testing operating effectiveness of the internal controls by management. Going forward, the internal control programme will also include testing of the operating effectiveness of the key internal controls over financial reporting.
- Assertion letters related to the internal controls over financial reporting are signed by senior managers and key officers in the Fund secretariat and the Investment Management Division. These officers recognize their responsibility for maintaining and executing internal controls over financial reporting and reporting any deficiencies identified. Assertion letters signed by key officers did not contain any information that would have a significant adverse effect on

the financial statements or would need to be reported in the present statement of internal control.

- An independent service auditor was engaged to perform an independent service audit on the control applied by Northern Trust, the master record keeper for the Fund's investments and one of the two custodian banks for the investments of the Fund, and by Citibank NA, the other custodian bank for the investments of the Fund. The audits were conducted in accordance with the standards defined by the American Institute of Certified Public Accountants and the International Auditing and Assurance Standards Board. Both audits concluded that, in all material respects, the controls were suitably designed and operating effectively to provide reasonable assurance that control objectives would be achieved.
- An independent assurance provider was engaged to assess the effectiveness of managing information security risks of the new Integrated Pension Administration System (IPAS), following the protocols defined by the International Organization for Standardization (ISO). In April 2016, the Fund secretariat obtained the ISO 27001 certification for IPAS, which provides assurances that the new system's operations and maintenance are in accordance with the information security management standard. The Fund secretariat is committed to maintaining the ISO 27001 certification, which is valid through March 2019.
- Independent auditors performed an International Standard on Assurance Engagements audit ISAE 3402 of the United Nations International Computing Centre internal control framework. The ISAE 3402 audit report provides an independent assessment of whether the Centre's controls are suitably designed and effectively operated. The ISAE 3402 audit report's conclusion is an unqualified opinion, as the auditors did not observe evidence that the controls tested did not operate effectively during the period under review.
- The Audit Committee monitored the work of internal and external auditors and reviewed the results of audit examinations and the implementation of audit recommendations. The Representative of the Secretary-General and the Fund's Chief Executive Officer, Chief Financial Officer, Risk and Compliance Officers and internal and external auditors had periodic meetings with the Audit Committee.
- In accordance to its mandate, the Office of Internal Oversight Services, in the execution of a risk-based audit plan approved by the Audit Committee, conducted audit examinations in high-risk areas to provide assurance on the effectiveness of internal controls and identify control deficiencies. The Chief Executive Officer and the Representative of the Secretary-General, in their respective areas of responsibility, took appropriate actions to address recommendations resulting from internal audits. The Fund has no outstanding critical audit recommendations.
- In accordance with its mandate, the Board of Auditors, as the external auditors of the Pension Fund, examines independently the financial statements, performing such tests and other procedures as the auditors consider necessary to express an opinion in their annual audit report. The external auditors are given full and unrestricted access to all financial records and related data and

to the Fund's management and Audit Committee to discuss any findings related to the integrity and reliability of the Fund's financial reporting. The external audit report accompanies the financial statements.

Significant internal control matters arising during the year

The statement of internal control for the year ended 31 December 2015 draws attention to key events having an impact on internal controls over financial reporting, as follows:

(a) During 2015, the Fund's management introduced further refinements to its enterprise-wide risk management framework, including the update to the enterprise-wide risk management policy and methodology and enhancements in the process for the preparation of the statement of internal control. The updated enterprise-wide risk management policy was approved by the Pension Board on 15 April 2016;

(b) In April 2015, the Fund secretariat issued its policy on pension fraud awareness, reporting and escalation to promote awareness, prevent fraud, enhance the Fund's internal controls and establish guidelines on reporting and escalation of fraud-related concerns. The policy establishes that the Pension Fund has zero tolerance for fraud, which implies that all fraud concerns will be reported and investigated and corrective actions taken when needed;

(c) The new IPAS was introduced in August 2015 mainly to repair process fragmentation, integrate several outdated and piecemeal programs and establish the foundation for future improvements. A controlled and fully tested transition to IPAS ensured that 72,000 existing retirees and beneficiaries residing in approximately 190 countries continue to receive their pension benefits accurately, on time and without interruption. With the implementation of IPAS completed, the Fund will focus on the second phase of modernizing processes for further productivity and to offer a wider range of services;

(d) Following IPAS implementation, the Fund has achieved an increased benefit-processing rate significantly above the long-term average under the legacy systems. However, the rapid and significant increase in the volume of separations required the Fund to take actions to create additional capacity. These actions included measures to enhance productivity and efficiency through the allocation of additional resources and continued process improvements, close liaison with human resources and finance offices of employing organizations for the submission of separation data for the processing of benefit entitlements, and the establishment of a quality assurance team to provide immediate feedback on the separation documents. Considering the multi-employer nature of the Fund, the diversity of its more than 80 reporting entities and its unique governance framework, the Fund will promote an end-to-end review of the separation-to-benefit process (involving the Fund and its member organizations) to identify further streamlining measures.

Statement

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error or circumvention. Accordingly, even effective internal controls can provide only reasonable but not absolute assurance.

Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

We are committed, within the scope of our respective areas of responsibility, to address any weaknesses in internal controls over financial reporting identified during the year and to ensure continuous improvement of internal controls.

Based on the above, we conclude that to our best knowledge and information there are no material weaknesses in internal controls over financial reporting, in our respective areas of responsibility, which would need to be raised in the present document for the year ended 31 December 2015.

(*Signed*) Sergio B. Arvizú
Chief Executive Officer
United Nations Joint Staff Pension Fund

(*Signed*) Carolyn Boykin
Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund

3 June 2016
New York

Financial overview

Introduction

1. The United Nations Joint Staff Pension Fund was established by the General Assembly in 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and the other international organizations admitted to membership in the Fund. The Fund is a multiple employer, defined benefit plan. There are currently 23 member organizations participating in the Fund. All participating organizations and employees contribute to the Fund based on pensionable remuneration. The contribution rate is a fixed rate of 7.9 per cent for participants and 15.8 per cent for employers.

2. The Fund is governed by the United Nations Joint Staff Pension Board made up of: (a) 12 members appointed by the United Nations Staff Pension Committee, four of whom are from the members and alternate members elected by the General Assembly, four from those appointed by the Secretary-General, and four from those elected by the participants in service in the United Nations; and (b) 21 members appointed by the staff pension committees of the other member organizations in accordance with the Rules of Procedure of the Fund, seven of whom are from the members and alternate members chosen by the bodies of the member organizations corresponding to the General Assembly, seven from those appointed by the chief administrative officers of the member organizations and seven from those chosen by the participants in service.

3. The Fund is administered by the Pension Board, a staff pension committee for each member organization and a secretariat to the Board and to each such committee. The Chief Executive Officer of the Fund also serves as the Secretary of the Pension Board. The Secretary/Chief Executive Officer is appointed by the Secretary-General on the recommendation of the Pension Board.

4. The Chief Executive Officer is responsible for the administration of the Fund and for the observance, by all concerned, of the Fund's Regulations and Rules and the pension adjustment system. This includes responsibility for the establishment of policy; the administration of the Fund's operations and the overall supervision of its staff; the responsibility for the organization, servicing and participation of the Fund secretariat in the meetings of the Pension Board, its Standing Committee, the Audit Committee, the Committee of Actuaries, the Assets and Liabilities Monitoring Committee and other related bodies; representing the Board at meetings of the Fifth Committee of the General Assembly, the Advisory Committee on Administrative and Budgetary Questions, the International Civil Service Commission and any other pertinent bodies; and serving as Secretary of the United Nations Staff Pension Committee. The Chief Executive Officer is also responsible for providing a range of administrative functions to support the Investment Management Division.

5. The management of the investments of the Fund is the fiduciary responsibility of the Secretary-General, in consultation with an Investments Committee. The Secretary-General has delegated his authority and responsibility to act on his behalf in all matters involving his fiduciary duties related to the investment of the assets of the Fund to the Representative of the Secretary-General for the investment of the assets of the Fund. The Representative of the Secretary-General is responsible for

arranging for the maintenance of detailed accounts of all investments and other transactions relating to the Fund, which shall be open to examination by the Board.

6. The Integrated Pension Administration System (IPAS) went live on 1 August 2015 and has replaced several of the aging information technology systems, including the United Nations Joint Staff Pension Fund Administration System (PENSYS) and the Lawson accounting system.

Financial performance

Changes in net assets available for benefits

7. There was a decrease in the net assets available for benefits for the year ended 31 December 2015 of $619.2 million (2014: surplus of $1.4 billion). This decrease of $2.0 billion (or 143.7 per cent) is largely attributable to the investment loss for the year.

8. The investment loss for 2015 was $458 million (2014: gain of $1.7 billion), mainly made up of foreign currency losses of $1.5 billion offset by dividend income of $778 million and interest income of $356 million. The decrease of $2.1 billion (or 127.6 per cent) from the prior year was largely driven by the decrease in the fair value of equities.

9. Total contributions (from participants: $751 million, member organizations: $1,496 million, and other: $9.8 million) for 2015 were $2.257 billion (2014: $2.264 billion), reflecting a decrease of $7.1 million (or of 0.3 per cent).

10. Benefit payments for 2015 of $2.361 billion (2014: $2.422 billion), reflected a decrease of $60.8 million (or 2.5 per cent) over the 2014 benefit payments.

11. Administrative expenses for 2015 amounted to $56.7 million (2014: $83.3 million), reflected a decrease of $26.7 million (or 32.0 per cent). The decrease in administrative expense was primarily due to a change in the actuarial value of the after-service health insurance from an expense of $17.5 million in 2014 to a gain of $5.6 million in 2015.

Statement of net assets available for benefits

12. Net assets available for benefits at 31 December 2015 were $52.264 billion (2014: $52.883 billion), which is a decrease of $616.2 million (or 1.2 per cent).

13. Total Fund cash and cash equivalents at 31 December 2015 were $1.5 billion (2014: $2.1 billion), which is a decrease of $623 million (or 29.5 per cent).

14. Total investments of the Fund at fair value at 31 December 2015 were $50.702 billion (2014: $50.735 billion) reflecting a decrease of $33.1 million (or 0.1 per cent). Details of the investment classes at 31 December 2015 and 2014 are as follows:

(Millions of United States dollars)

	31 December 2015	*31 December 2014*	*Change*	*Percentage*
Short-term investments	535	–	535	–
Equities	32 501	33 617	(1 116)	(3.3)
Fixed income	12 485	12 830	(345)	(2.7)
Real asset investments	3 315	2 764	551	19.9
Alternative and other investments	1 866	1 524	342	22.4
Total	**50 702**	**50 735**	**(33)**	**(0.1)**

15. Total liabilities of the Fund at 31 December 2015 were $183.4 million (2014: $217.4 million) a decrease of $34.0 million (or 15.6 per cent).

Actuarial situation of the Fund

16. The actuarial present value of accumulated (promised) plan benefits (which does not take into account future increases in pensionable remuneration) is determined by independent actuaries. The amount is derived by applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

17. The actuarial present value of accumulated plan benefits as at 31 December 2015 is as follows:

(Millions of United States dollars)

	If future pension payments are made:	
	Under the regulations without pension adjustments	*Under the regulations with pension adjustments*
Actuarial value of vested benefits		
Participants currently receiving benefits	22 941.3	32 839.4
Vested terminated participants	238.8	411.6
Active participants	12 637.9	18 694.8
Total vested benefits	**35 818.0**	**51 945.8**
Non-vested benefits	1 279.2	1 589.5
Total actuarial present value of accumulated plan benefits	**37 097.2**	**53 535.3**

Key statistics

18. The number of Fund participants at 31 December 2015 was 126,892 (2014: 122,759), an increase of 4,133, or 3.4 per cent.

19. The number of periodic benefits paid by the Fund at 31 December 2015 was 71,474 (2014: 72,367), a decrease of 893. The decrease includes 1,826 pre-IPAS

discontinued benefits that were not finalized in the Fund's legacy system. These discontinued benefits were recognized upon the IPAS conversion in 2015 under the new approach of identifying such cases immediately at discontinuation of the benefits. Without the effect of these adjustments, the total number of periodic benefits increased by 1.3 per cent for the year ended 31 December 2015.

Financial statements for the year ended 31 December 2015

United Nations Joint Staff Pension Fund

I. Statement of net assets available for benefits as at 31 December 2014 and 31 December 2015

(Thousands of United States dollars)

	Reference	*31 December 2015*	*31 December 2014*
Assets			
Cash and cash equivalents	Note 4	1 488 132	2 110 884
Investments	Note 5, 6		
Short-term investments		534 952	–
Equities		32 501 344	33 616 919
Fixed income		12 485 103	12 830 186
Real assets		3 315 119	2 764 409
Alternative and other investments		1 865 629	1 523 766
		50 702 147	**50 735 280**
Contributions receivable		42 797	39 283
Accrued income from investments	Note 7	147 836	155 645
Receivable from investments traded	Note 5	16 396	16 319
Withholding tax receivable	Note 8	12 604	8 782
Other assets	Note 9	40 329	34 646
Total assets		**52 450 241**	**53 100 839**
Liabilities			
Benefits payable	Note 10	89 594	68 691
Payable from investments traded	Note 5	10 796	44 710
After-service health insurance and other employee benefit liabilities	Note 11	70 358	76 992
Other accruals and liabilities	Note 12	12 638	26 962
Total liabilities		**183 386**	**217 355**
Net assets available for benefits		**52 266 855**	**52 883 484**

United Nations Joint Staff Pension Fund

II. Statement of changes in net assets available for benefits

(Thousands of United States dollars)

	Reference	*2015*	*2014*
Investment (loss)/income	Note 13		
Net (depreciation)/appreciation in fair value of investments		(18 126)	2 488 067
Interest income		355 553	375 093
Dividend income		777 863	845 069
Income from real assets		38 302	30 642
Foreign currency (losses)		(1 487 401)	(1 955 144)
Less: transaction costs and management fees		(124 454)	(124 904)
		(458 263)	**1 658 823**
Contributions	Note 14		
From participants		751 139	756 591
From member organization		1 496 003	1 503 298
Other contributions		9 835	4 181
		2 256 977	**2 264 070**
Other income	Note 15	8 531	1 932
Benefit payments	Note 16		
From withdrawal settlements and full commutation benefits		138 951	121 013
From retirements benefits		2 222 419	2 300 547
Other benefits/adjustments		(239)	325
		2 361 131	**2 421 885**
Administrative expenses	Note 17	56 669	83 321
Other expenses	Note 18	3 217	3 865
Withholding tax expense		2 857	5 024
(Decrease)/increase in net assets available for benefits		**(616 629)**	**1 410 730**

United Nations Joint Staff Pension Fund

III. Cash flow statement

(Thousands of United States dollars)

	Reference	*2015*	*2014*
Cash flows from investing activities			
Purchase of investments		(10 826 284)	(12 629 689)
Proceeds from sale/redemption of investments		9 425 889	11 922 982
Dividends received from equity investments, excluding withholding tax		750 447	813 031
Interest received from fixed income investments		366 155	389 852
Income received from unitized real asset funds, excluding withholding tax		37 997	30 969
Other income received/(losses incurred), net		5 852	(784)
Transaction costs, management fees and other expenses paid		(126 129)	(125 587)
Withholding taxes reimbursement, net		17 249	21 709
Net cash (used)/provided by investing activities		**(348 824)**	**422 483**
Cash flows from operating activities			
Contribution from member organizations and participants		2 251 681	2 255 115
Benefits payments		(2 345 701)	(2 412 976)
Net transfer to/from other plans		1 641	3 003
Administrative expenses paid		(78 828)	(66 836)
Other payments, net		(1 197)	(518)
Net cash used by operating activities		**(172 404)**	**(222 212)**
Net (decrease)/increase in cash and cash equivalents		(521 228)	200 271
Cash and cash equivalents at the beginning of year	Note 4	2 110 884	2 005 890
Exchange (losses) on cash and cash equivalents		(101 524)	(95 277)
Cash and cash equivalents at the end of year	**Note 4**	**1 488 132**	**2 110 884**

Schedules

United Nations Joint Staff Pension Fund

Schedule A
Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the biennium 2014-2015

(Thousands of United States dollars)

	Initial appropriation 2014-2015			*Final appropriation 2014-2015*			*Actuals on a comparable basis 2014-2015*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
A. **Secretariat administrative expenses**													
Established posts	30 149.3	12 946.5	43 095.8	30 597.0	13 229.7	43 826.7	29 393.1	12 864.1	42 257.2	(1 203.9)	(365.6)	(1 569.5)	(4)
Other staff costs	4 048.8	975.6	5 024.4	4 780.2	1 192.3	5 972.5	4 059.8	1 018.5	5 078.3	(720.4)	(173.8)	(894.2)	(15)
Consultants	843.0	–	843.0	485.3	–	485.3	348.8	–	348.8	(136.5)	–	(136.5)	(28)
Travel of staff	788.6	–	788.6	704.7	–	704.7	604.8	–	604.8	(99.9)	–	(99.9)	(14)
Travel of Committee of Actuaries and Audit Committee	568.9	–	568.9	568.9	–	568.9	347.7	–	347.7	(221.2)	–	(221.2)	(39)
Travel	**1 357.5**	**–**	**1 357.5**	**1 273.6**	**–**	**1 273.6**	**952.5**	**–**	**952.5**	**(321.1)**	**–**	**(321.1)**	**(25)**
Training	346.8	–	346.8	146.8	–	146.8	164.5	–	164.5	17.7	–	17.7	12
United Nations International Computing Centre services	10 445.0	1 907.5	12 352.5	11 445.0	1 907.5	13 352.5	10 230.9	2 277.1	12 508.0	(1 214.1)	369.6	(844.5)	(6)
Contractual services	9 533.7	1 041.8	10 575.5	12 312.1	1 004.0	13 316.1	11 966.1	455.5	12 421.6	(346.0)	(548.5)	(894.5)	(7)
Contractual services	**19 978.7**	**2 949.3**	**22 928.0**	**23 757.1**	**2 911.5**	**26 668.6**	**22 197.0**	**2 732.6**	**24 929.6**	**(1 560.1)**	**(178.9)**	**(1 739.0)**	**(7)**
Hospitality	4.2	–	4.2	4.2	–	4.2	1.4	–	1.4	(2.8)	–	(2.8)	(67)
Rental and maintenance of premises	7 185.3	3 445.5	10 630.8	7 185.0	3 445.5	10 630.5	6 125.1	3 060.0	9 185.1	(1 059.9)	(385.5)	(1 445.4)	(14)
Rental and maintenance of equipment	76.7	–	76.7	76.8	–	76.8	63.5	–	63.5	(13.3)	–	(13.3)	(17)
Communications services	1 175.1	–	1 175.1	850.1	–	850.1	385.2	–	385.2	(464.9)	–	(464.9)	(55)
Operating expenses	411.6	8.6	420.2	394.2	–	394.2	457.5	–	457.5	63.3	–	63.3	16
Bank charges	3 099.0	–	3 099.0	2 099.0	–	2 099.0	1 754.0	–	1 754.0	(345.0)	–	(345.0)	(16)
General operating expenses	**11 947.7**	**3 454.1**	**15 401.8**	**10 605.1**	**3 445.5**	**14 050.6**	**8 785.3**	**3 060.0**	**11 845.3**	**(1 819.8)**	**(385.5)**	**(2 205.3)**	**(16)**
Supplies and materials	139.4	69.7	209.1	141.1	77.0	218.1	113.6	35.9	149.5	(27.5)	(41.1)	(68.6)	(31)
Furniture and equipment	1 284.1	505.5	1 789.6	794.0	328.1	1 122.1	796.5	266.3	1 062.8	2.5	(61.8)	(59.3)	(5)
Supplies, furniture and equipment	**1 423.5**	**575.2**	**1 998.7**	**935.1**	**405.1**	**1 340.2**	**910.1**	**302.2**	**1 212.3**	**(25.0)**	**(102.9)**	**(127.9)**	**(10)**
Total	**70 099.5**	**20 900.7**	**91 000.2**	**72 584.4**	**21 184.1**	**93 768.5**	**66 812.5**	**19 977.4**	**86 789.9**	**(5 771.9)**	**(1 206.7)**	**(6 978.6)**	**(7)**

United Nations Joint Staff Pension Fund

Schedule A

Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the biennium 2014-2015 (continued)

(Thousands of United States dollars)

	Initial appropriation 2014-2015			*Final appropriation 2014-2015*			*Actuals on a comparable basis 2014-2015*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
B. Investment administrative expenses													
Established posts	22 095.0	–	22 095.0	21 095.0	–	21 095.0	19 424.5	–	19 424.5	(1 670.5)	–	(1 670.5)	(8)
Other staff costs	1 960.7	–	1 960.7	1 876.5	–	1 876.5	1 199.6	–	1 199.6	(676.9)	–	(676.9)	(36)
Consultants	1 491.6	–	1 491.6	793.3	–	793.3	756.0	–	756.0	(37.3)	–	(37.3)	(5)
Travel of staff	1 524.5	–	1 524.5	921.0	–	921.0	853.9	–	853.9	(67.1)	–	(67.1)	(7)
Travel of Investment Committee	668.0	–	668.0	447.7	–	447.7	315.2	–	315.2	(132.5)	–	(132.5)	(30)
Travel	**2 192.5**	**–**	**2 192.5**	**1 368.7**	**–**	**1 368.7**	**1 169.1**	**–**	**1 169.1**	**(199.6)**	**–**	**(199.6)**	**(15)**
Training	586.1	–	586.1	284.0	–	284.0	95.0	–	95.0	(189.0)	–	(189.0)	(67)
Electronic data processing and other contractual services	14 174.1	–	14 174.1	13 597.8	–	13 597.8	9 155.3	–	9 155.3	(4 442.5)	–	(4 442.5)	(33)
External legal consultants	3 133.5	–	3 133.5	3 133.4	–	3 133.4	1 440.4	–	1 440.4	(1 693.0)	–	(1 693.0)	(54)
Advisory and custodial services	29 854.7	–	29 854.7	26 795.8	–	26 795.8	22 571.0	–	22 571.0	(4 224.8)	–	(4 224.8)	(16)
Contractual services	**47 162.3**	**–**	**47 162.3**	**43 527.0**	**–**	**43 527.0**	**33 166.7**	**–**	**33 166.7**	**(10 360.3)**	**–**	**(10 360.3)**	**(24)**
Hospitality	24.5	–	24.5	44.5	–	44.5	21.6	–	21.6	(22.9)	–	(22.9)	(51)
Rental and maintenance of premises	6 043.5	–	6 043.5	8 065.9	–	8 065.9	7 686.0	–	7 686.0	(379.9)	–	(379.9)	(5)
Rental and maintenance of equipment	26.4	–	26.4	26.4	–	26.4	14.2	–	14.2	(12.2)	–	(12.2)	(46)
Communications services	255.5	–	255.5	255.5	–	255.5	165.1	–	165.1	(90.4)	–	(90.4)	(35)
Operating expenses	751.0	–	751.0	1 437.1	–	1 437.1	621.0	–	621.0	(816.1)	–	(816.1)	(57)
General operating expenses	**7 076.4**	**–**	**7 076.4**	**9 784.9**	**–**	**9 784.9**	**8 486.3**	**–**	**8 486.3**	**(1 298.6)**	**–**	**(1 298.6)**	**(13)**
Supplies and materials	177.9	–	177.9	177.9	–	177.9	81.3	–	81.3	(96.6)	–	(96.6)	(54)
Furniture and equipment	946.6	–	946.6	946.7	–	946.7	586.1	–	586.1	(360.6)	–	(360.6)	(38)
Supplies, furniture and equipment	**1 124.5**	**–**	**1 124.5**	**1 124.6**	**–**	**1 124.6**	**667.4**	**–**	**667.4**	**(457.2)**	**–**	**(457.2)**	**(41)**
Total	**83 713.6**	**–**	**83 713.6**	**79 898.5**	**–**	**79 898.5**	**64 986.2**	**–**	**64 986.2**	**(14 912.3)**	**–**	**(14 912.3)**	**(19)**

Schedule A

Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the biennium 2014-2015 (continued)

	Initial appropriation 2014-2015			*Final appropriation 2014-2015*			*Actuals on a comparable basis 2014-2015*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
C. Audit expenses													
External audit	645.5	129.1	774.6	645.5	129.1	774.6	645.5	129.1	774.6	–	–	–	–
Internal audit	1 474.4	294.9	1 769.3	1 417.0	283.4	1 700.4	1 415.0	283.0	1 698.0	(2.0)	(0.4)	(2.4)	–
Total	**2 119.9**	**424.0**	**2 543.9**	**2 062.5**	**412.5**	**2 475.0**	**2 060.5**	**412.1**	**2 472.6**	**(2.0)**	**(0.4)**	**(2.4)**	–
D. Board expenses	408.8	–	408.8	408.8	–	408.8	228.8	–	228.8	(180.0)	–	(180.0)	**(44)**
Total administrative expenses	**156 341.8**	**21 324.7**	**177 666.5**	**154 954.2**	**21 596.6**	**176 550.8**	**134 088.0**	**20 389.5**	**154 477.5**	**(20 866.2)**	**(1 207.1)**	**(22 073.3)**	**(13)**

The purpose of schedule A is to compare budget to actual amounts for the biennium 2014-2015 on a comparable basis, i.e. actual amounts on the same basis as the budget. As the Pension Fund's budget is prepared on a modified cash basis and the actual costs on a comparable basis are consequently also shown on a modified cash basis, the total for actual costs on a comparable basis does not agree with the administrative expenses shown in the statement of changes in net assets as that statement is prepared on an accrual basis.

Explanation of significant differences (> +/-10 per cent) between budget and actual costs on a comparable basis

Fund secretariat administrative expenses

Other staff costs. The underexpenditure is primarily attributable to a decrease in actual expenditure with respect to general temporary assistance and after-service health insurance costs as compared with the budgeted amount.

Consultants. The underexpenditure relates to the cancellation of a planned consultancy to develop a new Fund-wide operating model in coordination with IPAS and savings in accounting consulting costs as compared with the budgeted amount. In order to economize, the Fund dealt with the issues related to the business operating model by streamlining the work of the Transition Manager in coordination with all business areas.

Travel. The underexpenditure is attributable to lower than anticipated expenditure for travel of the Committee of Actuaries and the Audit Committee, and to the effort to replace some staff travel with videoconferencing and teleconferencing.

Training. The overexpenditure is the result of extensive training activities being undertaken after the deployment of IPAS.

Hospitality. The underexpenditure is the result of efforts to minimize hospitality costs, with fewer functions hosted than anticipated.

General operating expenses. The underexpenditure is attributable to continued savings in bank charges as a result of the implementation of a new contract with a reduced bank fee structure and the development and introduction of a process that automates routing for complex payment cases; savings in communications costs as a result of a reorganization of communications services and policies; and lower than anticipated expenditure of building operating and renovation expenses as compared with the budgeted expenditure.

Supplies, furniture and equipment. The underexpenditure is attributable to lower than anticipated requirements for supplies and materials and postponing certain informational technology software and equipment acquisitions to the next biennium.

Investment administrative expenses

Other staff costs. The underexpenditure is primarily attributable to a decrease in actual expenditure with respect to general temporary assistance due to the difficulty of identifying suitable candidates, obtaining agreement to release selected candidates and in some cases having candidates not able to continue on general temporary assistance, after-service health insurance and overtime costs as compared with the budgeted amounts.

Travel. The underexpenditure is primarily attributable to a decrease in travel of representatives because the budget was prepared in anticipation of having additional members on the Investments Committee which did not happen and some members were not able to attend every meeting of the Committee.

Training. The underexpenditure is attributable to planned training being postponed owing to exigencies of the office as the Investment Management Division continued to recruit towards full staffing and the Division opting to take advantage of frequent, localized and shorter-term no-cost training opportunities offered by certain financial institutions.

Contractual services. The underexpenditure in advisory services, custodial services and external legal consultants is attributable to restructuring and reduction of non-discretionary advisory services, cancellation of hedge fund advisory services following the decision not to engage in hedge fund investments at this time, a decrease in costs for custodial services and less than anticipated costs for legal services. The underexpenditure in electronic data processing and other contractual services is primarily a result of the postponement of some information technology related projects, the decommissioning of Murex and savings for certain services as compared with the budgeted amount and partially offset by higher than anticipated costs of services provided by the United Nations International Computing Centre.

Hospitality. The underexpenditure is attributable to efforts to minimize hospitality costs and a lower than anticipated number of participants in functions hosted by the Investment Management Division.

General operating expenses. The underexpenditure in operating expenses is attributable to a lower than anticipated use of courier mail and external printing services. The underexpenditure in communications services is attributable to a volume discount in connectivity costs as compared with the budgeted amount.

Supplies, furniture and equipment. The underexpenditure is primarily attributable to less than anticipated need for UNIX servers resulting from the decommissioning of Murex and the implementation of the Bloomberg Asset and Investment Manager (AIM), lower than anticipated expenditure for executive office furniture in 2015 and lower than budgeted costs for supplies and materials.

United Nations Joint Staff Pension Fund

Schedule B

Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2015

(Thousands of United States dollars)

	Initial appropriation 2015			*2014 budget balance carried forward*			*Revision to appropriations*			*Final budget 2015*		
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*
A. Secretariat administrative expenses												
Established posts	14 603.0	6 527.8	21 130.8	190.5	(10.0)	180.5	447.7	283.2	730.9	15 241.2	6 801.0	22 042.2
Other staff costs	1 985.9	490.2	2 476.1	(8.4)	19.3	10.9	731.4	216.7	948.1	2 708.9	726.2	3 435.1
Consultants	347.8	–	347.8	430.2	–	430.2	(357.7)	–	(357.7)	420.3	–	420.3
Travel of staff	341.9	–	341.9	41.2	–	41.2	(83.9)	–	(83.9)	299.2	–	299.2
Travel of Committee of Actuaries and Audit Committee	287.2	–	287.2	95.0	–	95.0	–	–	–	382.2	–	382.2
Travel	**629.1**	**–**	**629.1**	**136.2**	**–**	**136.2**	**(83.9)**	**–**	**(83.9)**	**681.4**	**–**	**681.4**
Training	159.7	–	159.7	108.8	–	108.8	(200.0)	–	(200.0)	68.5	–	68.5
United Nations International Computing Centre	4 477.6	954.7	5 432.3	950.0	–	950.0	1 000.0	–	1 000.0	6 427.6	954.7	7 382.3
Contractual services	2 785.6	521.4	3 307.0	(951.8)	192.9	(758.9)	2 778.4	(37.8)	2 740.6	4 612.2	676.5	5 288.7
Contractual services	**7 263.2**	**1 476.1**	**8 739.3**	**(1.8)**	**192.9**	**191.1**	**3 778.4**	**(37.8)**	**3 740.6**	**11 039.8**	**1 631.2**	**12 671.0**
Hospitality	2.1	–	2.1	0.7	–	0.7	–	–	–	2.8	–	2.8
Rental and maintenance of premises	3 683.0	1 767.8	5 450.8	(2 666.7)	(1 389.8)	(4 056.5)	(0.3)	–	(0.3)	1 016.0	378.0	1 394.0
Rental and maintenance of equipment	38.5	–	38.5	3.1	–	3.1	0.1	–	0.1	41.7	–	41.7
Communications services	588.1	–	588.1	405.7	–	405.7	(325.0)	–	(325.0)	668.8	–	668.8
Operating expenses	206.0	4.3	210.3	(77.2)	4.3	(72.9)	(17.4)	(8.6)	(26.0)	111.4	–	111.4
Bank charges	1 551.0	–	1 551.0	667.1	–	667.1	(1 000.0)	–	(1 000.0)	1 218.1	–	1 218.1
General operating expenses	**6 066.6**	**1 772.1**	**7 838.7**	**(1 668.0)**	**(1 385.5)**	**(3 053.5)**	**(1 342.6)**	**(8.6)**	**(1 351.2)**	**3 056.0**	**378.0**	**3 434.0**
Supplies and materials	69.8	34.9	104.7	17.1	8.8	25.9	1.7	7.3	9.0	88.6	51.0	139.6
Furniture and equipment	642.7	253.0	895.7	471.2	178.6	649.8	(490.1)	(177.4)	(667.5)	623.8	254.2	878.0
Supplies, furniture and equipment	**712.5**	**287.9**	**1 000.4**	**488.3**	**187.4**	**675.7**	**(488.4)**	**(170.1)**	**(658.5)**	**712.4**	**305.2**	**1 017.6**
Total	**31 769.9**	**10 554.1**	**42 324.0**	**(323.5)**	**(995.9)**	**(1 319.4)**	**2 485.0**	**283.4**	**2 768.3**	**33 931.3**	**9 841.6**	**43 772.9**

Schedule B

Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2015 (continued)

(Thousands of United States dollars)

	Final budget 2015			*Actuals on a comparable basis 2015*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
A. Secretariat administrative expenses										
Established posts	15 241.2	6 801.0	22 042.2	14 037.3	6 435.3	20 472.6	(1 203.9)	(365.7)	(1 569.6)	(7)
Other staff costs	2 708.9	726.2	3 435.1	1 988.4	552.5	2 540.9	(720.5)	(173.7)	(894.2)	(26)
Consultants	420.3	–	420.3	283.8	–	283.8	(136.5)	–	(136.5)	–
Travel of staff	299.2	–	299.2	199.4	–	199.4	(99.8)	–	(99.8)	(33)
Travel of Committee of Actuaries and Audit Committee	382.2	–	382.2	160.9	–	160.9	(221.3)	–	(221.3)	(58)
Travel	**681.4**	**–**	**681.4**	**360.3**	**–**	**360.3**	**(321.1)**	**–**	**(321.1)**	**(47)**
Training	68.5	–	68.5	86.2	–	86.2	17.7	–	17.7	26
United Nations International Computing Centre	6 427.6	954.7	7 382.3	5 213.5	1 324.3	6 537.8	(1 214.1)	369.6	(844.5)	(11)
Contractual services	4 612.2	676.5	5 288.7	4 266.2	128.1	4 394.3	(346.0)	(548.4)	(894.4)	(17)
Contractual services	**11 039.8**	**1 631.2**	**12 671.0**	**9 479.7**	**1 452.4**	**10 932.1**	**(1 560.1)**	**(178.8)**	**(1 738.9)**	**(14)**
Hospitality	2.8	–	2.8	–	–	–	(2.8)	–	(2.8)	(100)
Rental and maintenance of premises	1 016.0	378.0	1 394.0	(43.9)	(7.5)	(51.4)	(1 059.9)	(385.5)	(1 445.4)	(104)
Rental and maintenance of equipment	41.7	–	41.7	28.4	–	28.4	(13.3)	–	(13.3)	(32)
Communications services	668.8	–	668.8	203.9	–	203.9	(464.9)	–	(464.9)	(70)
Operating expenses	111.4	–	111.4	174.7	–	174.7	63.3	–	63.3	57
Bank charges	1 218.1	–	1 218.1	873.1	–	873.1	(345.0)	–	(345.0)	(28)
General operating expenses	**3 056.0**	**378.0**	**3 434.0**	**1 236.2**	**(7.5)**	**1 228.7**	**(1 819.8)**	**(385.5)**	**(2 205.3)**	**(64)**
Supplies and materials	88.6	51.0	139.6	61.1	9.9	71.0	(27.5)	(41.1)	(68.6)	(49)
Furniture and equipment	623.8	254.2	878.0	626.2	192.3	818.5	2.4	(61.9)	(59.5)	(7)
Supplies, furniture and equipment	**712.4**	**305.2**	**1 017.6**	**687.3**	**202.2**	**889.5**	**(25.1)**	**(103.0)**	**(128.1)**	**(13)**
Total	**33 931.3**	**9 841.6**	**43 772.9**	**28 159.2**	**8 634.9**	**36 794.1**	**(5 772.1)**	**(1 206.7)**	**(6 978.8)**	**(16)**

Schedule B

Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2015 (continued)

(Thousands of United States dollars)

	Initial appropriation 2015			*2014 budget balance carried forward*			*Revision to appropriations*			*Final budget 2015*		
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*
B. Investment administrative expenses												
Established posts	11 278.6	–	11 278.6	1 502.9	–	1 502.9	(1 000.0)	–	(1 000.0)	11 781.5	–	11 781.5
Other staff costs	920.1	–	920.1	320.9	–	320.9	(84.2)	–	(84.2)	1 156.8	–	1 156.8
Consultants	1 013.3	–	1 013.3	100.7	–	100.7	(698.3)	–	(698.3)	415.7	–	415.7
Travel of staff	653.6	–	653.6	444.8	–	444.8	(603.5)	–	(603.5)	494.9	–	494.9
Travel of Investment Committee	334.3	–	334.3	170.8	–	170.8	(220.3)	–	(220.3)	284.8	–	284.8
Travel	**987.9**	–	**987.9**	**615.6**	–	**615.6**	**(823.8)**	–	**(823.8)**	**779.7**	–	**779.7**
Training	223.5	–	223.5	295.0	–	295.0	(302.1)	–	(302.1)	216.4	–	216.4
Electronic data processing and other contractual services	7 094.0	–	7 094.0	3 123.5	–	3 123.5	(576.3)	–	(576.3)	9 641.2	–	9 641.2
External legal consultants	1 568.3	–	1 568.3	924.8	–	924.8	(0.1)	–	(0.1)	2 493.0	–	2 493.0
Advisory and custodial services	15 007.9	–	15 007.9	(2 690.9)	–	(2 690.9)	(3 058.9)	–	(3 058.9)	9 258.1	–	9 258.1
Contractual services	**23 670.2**	–	**23 670.2**	**1 357.4**	–	**1 357.4**	**(3 635.3)**	–	**(3 635.3)**	**21 392.3**	–	**21 392.3**
Hospitality	12.2	–	12.2	(7.6)	–	(7.6)	20.0	–	20.0	24.6	–	24.6
Rental and maintenance of premises	3 389.2	–	3 389.2	(2 370.9)	–	(2 370.9)	2 022.4	–	2 022.4	3 040.7	–	3 040.7
Rental and maintenance of equipment	13.2	–	13.2	7.9	–	7.9	–	–	–	21.1	–	21.1
Communications services	127.9	–	127.9	33.0	–	33.0	–	–	–	160.9	–	160.9
Operating expenses	375.9	–	375.9	368.5	–	368.5	686.1	–	686.1	1 430.5	–	1 430.5
General operating expenses	**3 906.2**	–	**3 906.2**	**(1 961.5)**	–	**(1 961.5)**	**2 708.5**	–	**2 708.5**	**4 653.2**	–	**4 653.2**
Supplies and materials	89.0	–	89.0	45.2	–	45.2	–	–	–	134.2	–	134.2
Furniture and equipment	371.3	–	371.3	559.7	–	559.7	0.1	–	0.1	931.1	–	931.1
Supplies, furniture and equipment	**460.3**	–	**460.3**	**604.9**	–	**604.9**	**0.1**	–	**0.1**	**1 065.3**	–	**1 065.3**
Total	**42 472.3**	–	**42 472.3**	**2 828.3**	–	**2 828.3**	**(3 815.1)**	–	**(3 815.1)**	**41 485.5**	–	**41 485.5**

Schedule B

Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2015 (continued)

(Thousands of United States dollars)

	Final budget 2015			*Actuals on a comparable basis 2015*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
B. Investment administrative expenses										
Established posts	11 781.5	–	11 781.5	10 111.0	–	10 111.0	(1 670.5)	–	(1 670.5)	(14)
Other staff costs	1 156.8	–	1 156.8	479.9	–	479.9	(676.9)	–	(676.9)	(59)
Consultants	415.7	–	415.7	378.4	–	378.4	(37.3)	–	(37.3)	(9)
Travel of staff	494.9	–	494.9	427.8	–	427.8	(67.1)	–	(67.1)	(14)
Travel of Investment Committee	284.8	–	284.8	152.3	–	152.3	(132.5)	–	(132.5)	(47)
Travel	**779.7**	**–**	**779.7**	**580.1**	**–**	**580.1**	**(199.6)**	**–**	**(199.6)**	**(26)**
Training	216.4	–	216.4	27.4	–	27.4	(189.0)	–	(189.0)	(87)
Electronic data processing and other contractual services	9 641.2	–	9 641.2	5 198.6	–	5 198.6	(4 442.6)	–	(4 442.6)	(46)
External legal consultants	2 493.0	–	2 493.0	800.0	–	800.0	(1 693.0)	–	(1 693.0)	(68)
Advisory and custodial services	9 258.1	–	9 258.1	5 033.2	–	5 033.2	(4 224.9)	–	(4 224.9)	(46)
Contractual services	**21 392.3**	**–**	**21 392.3**	**11 031.8**	**–**	**11 031.8**	**(10 360.5)**	**–**	**(10 360.5)**	**(48)**
Hospitality	24.6	–	24.6	1.7	–	1.7	(22.9)	–	(22.9)	(93)
Rental and maintenance of premises	3 040.7	–	3 040.7	2 660.8	–	2 660.8	(379.9)	–	(379.9)	(12)
Rental and maintenance of equipment	21.1	–	21.1	8.9	–	8.9	(12.2)	–	(12.2)	(58)
Communications services	160.9	–	160.9	70.5	–	70.5	(90.4)	–	(90.4)	(56)
Operating expenses	1 430.5	–	1 430.5	614.4	–	614.4	(816.1)	–	(816.1)	(57)
General operating expenses	**4 653.2**	**–**	**4 653.2**	**3 354.6**	**–**	**3 354.6**	**(1 298.6)**	**–**	**(1 298.6)**	**(28)**
Supplies and materials	134.2	–	134.2	37.6	–	37.6	(96.6)	–	(96.6)	(72)
Furniture and equipment	931.1	–	931.1	570.5	–	570.5	(360.6)	–	(360.6)	(39)
Supplies, furniture and equipment	**1 065.3**	**–**	**1 065.3**	**608.1**	**–**	**608.1**	**(457.2)**	**–**	**(457.2)**	**(43)**
Total	**41 485.5**	**–**	**41 485.5**	**26 573.0**	**–**	**26 573.0**	**(14 912.5)**	**–**	**(14 912.5)**	**(36)**

Schedule B

Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2015 (continued)

(Thousands of United States dollars)

	Initial appropriation 2015			*2014 budget balance carried forward*			*Revision to appropriations*			*Final budget 2015*		
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*
C. Audit expenses												
External audit	322.8	64.6	387.4	–	–	–	–	(2.9)	(2.9)	322.8	61.7	384.5
Internal audit	743.8	148.8	892.6	19.8	3.9	23.7	(57.4)	6.0	(51.4)	706.2	158.7	864.9
Total	**1 066.6**	**213.4**	**1 280.0**	**19.8**	**3.9**	**23.7**	**(57.4)**	**3.1**	**(54.3)**	**1 029.0**	**220.4**	**1 249.4**
D. Board expenses	204.6	–	204.6	61.7	–	61.7	–	–	–	266.3	–	266.3
Total administrative expenses	**75 513.4**	**10 767.5**	**86 280.9**	**2 586.3**	**(992.0)**	**1 594.3**	**(1 387.5)**	**286.5**	**(1 101.1)**	**76 712.1**	**10 062.0**	**86 774.1**

Schedule B

Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2015 (continued)

(Thousands of United States dollars)

	Final budget 2015			*Actuals on a comparable basis 2015*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
C. Audit expenses										
External audit	322.8	61.7	384.5	322.8	64.6	387.4	–	2.9	2.9	1
Internal audit	706.2	158.7	864.9	704.2	140.8	845.0	(2.0)	(17.9)	(19.9)	(2)
Total	**1 029.0**	**220.4**	**1 249.4**	**1 027.0**	**205.4**	**1 232.4**	**(2.0)**	**(15.0)**	**(17.0)**	**(1)**
D. Board expenses	266.3	–	266.3	86.3	–	86.3	(180.0)	–	(180.0)	(68)
Total administrative expenses	**76 712.1**	**10 062.0**	**86 774.1**	**55 845.5**	**8 840.3**	**64 685.8**	**(20 866.6)**	**(1 221.7)**	**(22 088.3)**	**(25)**

The purpose of schedule B is to compare budget to actual amounts on a comparable basis, i.e. actual amounts on the same basis as the budget. As the Pension Fund's budget is prepared on a modified cash basis and the actual costs on a comparable basis are consequently also shown on a modified cash basis, the total for actual costs on a comparable basis does not agree with the administrative expenses shown in the statement of changes in net assets as that statement is prepared on an accrual basis. A reconciliation of the differences is provided in note 22.2.

United Nations Joint Staff Pension Fund

Notes to the financial statements

Note 1
Description of the plan

1. The following is a brief description of the United Nations Joint Staff Pension Fund. The Regulations and Administrative Rules are available from the Fund's website (www.unjspf.org).

1.1 General

2. The Pension Fund was established by the General Assembly in 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and the other international organizations admitted to membership in the Fund. The Fund is a multiple employer, defined benefit plan. There are currently 23 member organizations participating in the Fund. All participating organizations and employees contribute to the Fund based on pensionable remuneration. The contribution rate is a fixed rate of 7.9 per cent for participants and 15.8 per cent for employers (see also note 3.5).

3. The Fund is governed by a Pension Board made up of: (a) 12 members appointed by the United Nations Staff Pension Committee, four of whom are from the members and alternate members elected by the General Assembly, four from those appointed by the Secretary-General, and four from those elected by the participants in service in the United Nations; and (b) 21 members appointed by the staff pension committees of the other member organizations in accordance with the Rules of Procedure of the Fund, 7 of whom are chosen from the members and alternate members by the bodies of the member organizations corresponding to the General Assembly, 7 of whom are from those appointed by the chief administrative officers of the member organizations and 7 of whom are from those chosen by the participants in service.

1.2 Administration of the Fund

4. The Fund is administered by the United Nations Joint Staff Pension Board, a staff pension committee for each member organization and a secretariat to the Board and to each such committee.

5. The Chief Executive Officer of the Fund, who also serves as Secretary of the Pension Board, is appointed by the Secretary-General on the recommendation of the Pension Board.

6. The Chief Executive Officer is responsible for the administration of the Pension Fund and for the observance, by all concerned, of the Regulations and Rules and the Pension adjustment system. This includes responsibility for the establishment of policy; the administration of the Fund's operations and the overall supervision of its staff; the responsibility for the organization, servicing and participation of the Fund secretariat in the meetings of the Pension Board, its Standing Committee, the Audit Committee, the Committee of Actuaries, the Assets and Liabilities Monitoring Committee and other related bodies; representing the Board at meetings of the Fifth Committee of the General Assembly, the Advisory

Committee on Administrative and Budgetary Questions, the International Civil Service Commission and any other pertinent bodies; and serving as Secretary of the United Nations Staff Pension Committee. The Chief Executive Officer is also responsible for providing a range of administrative functions to support the Investment Management Division.

7. The management of the investments of the Fund is the fiduciary responsibility of the Secretary-General, in consultation with an Investments Committee. The Secretary-General has delegated his authority and responsibility to act on his behalf in all matters involving his fiduciary duties related to the investment of the assets of the Fund to the Representative of the Secretary-General for the investment of the assets of the Fund. The Representative is responsible for arranging for the maintenance of detailed accounts of all investments and other transactions relating to the Fund, which shall be open to examination by the Board. Prior to 1 June 2014, the Assistant Secretary-General for Programme Planning, Budget and Accounts and Controller of the United Nations was designated as the Representative of the Secretary-General, with responsibility for the management and accounting of the investments of the Fund. Following the transfer of the Assistant Secretary-General to the United Nations Development Programme (UNDP), the Under-Secretary-General for Management of the United Nations was designated as the Representative of the Secretary-General. Effective 7 October 2014, a permanent Representative has been appointed by the Secretary-General.

8. The Chief Financial Officer, who reports to the Chief Executive Officer and to the Representative of the Secretary-General in their respective substantive responsibilities, is responsible for formulating financial policy for the Fund, reviewing budgetary, financial and accounting operations of the Fund and ensuring that an adequate financial control environment is in place to protect the Fund's resources and to guarantee the quality and reliability of financial reporting. In addition, the Chief Financial Officer is responsible for setting the rules for the collection, from the different information systems and areas of the Fund, of the financial and accounting data necessary for the preparation of the Fund's financial statements; the Chief Financial Officer has full access to such systems and data. The Chief Financial Officer ensures that the financial statements are in compliance with the Fund's Regulations and Rules, the accounting standards adopted by the Fund and the decisions of the Pension Board and General Assembly and also certifies the financial statements.

1.3 Participation in the Fund

9. Members of the staff of each of the 23 member organizations of the Fund become participants in the Fund upon commencing employment under an appointment for six months or longer, or upon completion of six months of service without an interruption of more than 30 days. As at 31 December 2015, the Fund had over 126,000 active contributors (participants). Member organizations/agencies include the United Nations Secretariat, the United Nations Children's Fund, UNDP and the Office of the United Nations High Commissioner for Refugees and various specialized agencies such as the World Health Organization, the International Labour Organization, the International Atomic Energy Agency, the International Civil Aviation Organization and the United Nations Educational, Scientific and Cultural Organization (see annex to the present notes for a complete list of member organizations). There are currently more than 71,400 periodic benefits being paid to

individuals in some 190 countries. The total annual pension payments, which total approximately $2.4 billion, are paid in 15 different currencies.

1.4 Operation of the Fund

10. Participant and beneficiary processing and queries are handled by the operations sections/units of the Fund, at offices located in New York and Geneva. All of the accounting for operations is handled in New York by a centralized Financial Services Section, which also manages receipt of monthly contributions from member organizations and the payments of the monthly pension payroll.

11. The Representative of the Secretary-General is assisted by the staff of the Investment Management Division where investments are actively traded and processed and investment transactions are reconciled and accounted for.

1.5 Actuarial valuation of the Fund

12. Article 12 of the Regulations of the United Nations Joint Staff Pension Fund (JSPB/G.4/Rev.20) provides that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years. Currently the Fund is performing actuarial valuations every two years. Article 12 further provides that the actuarial report shall state the assumptions on which the calculations are based, describe the methods of valuation used and state the results, as well as the recommendations, if any, for appropriate action. See note 19 for the most recent summary of the actuarial situation of the Fund.

1.6 Retirement benefit

13. Any participant who has five years of contributory service receives, upon separation at or after normal retirement age, a retirement benefit payable for the remainder of his or her life. "Normal retirement age" means age 60 for a participant whose service commenced prior to 1 January 1990, age 62 for a participant whose service commenced or recommenced on or after 1 January 1990 and age 65 for a participant whose service commenced or recommenced on or after 1 January 2014.

14. The standard annual rate of retirement benefit for a participant who entered the Fund on or after 1 January 1983 is the sum of:

(a) 1.5 per cent of final average remuneration multiplied by the first five years of contributory service;

(b) 1.75 per cent of final average remuneration multiplied by the next five years of contributory service;

(c) 2 per cent of final average remuneration multiplied by the years of contributory service in excess of 10, but not exceeding 25;

(d) The years of contributory service in excess of 35 and performed as from 1 July 1995, by 1 per cent of the final average remuneration, subject to a maximum total accumulation rate of 70 per cent.

15. The standard annual rate of retirement benefit for a participant who entered the Fund prior to 1 January 1983 is 2 per cent of final average remuneration multiplied by contributory service not exceeding 30 years, plus 1 per cent of final average

remuneration multiplied by such service in excess of 30 years, not exceeding 10 years.

16. The maximum benefit to participants, subject to the terms specified in the Regulations and Rules of the Fund, is the greater of 60 per cent of pensionable remuneration at the date of separation or the maximum benefit that would be payable, at that date, to a participant at the D-2 level (who has been at the top step for the preceding five years).

17. The retirement benefit shall, however, be payable at the minimum annual rate obtained by multiplying the years of the participant's contributory service, not exceeding 10, by the smaller of $1,034.96 (effective 1 April 2014, subject to subsequent adjustments in accordance with the movement of the United States consumer price index under the pension adjustment system) or one thirtieth of the final average remuneration.

18. The annual rate of the retirement benefit shall, nevertheless, not be less, when no other benefit is payable on account of the participant, than the smaller of $1,646.16 (effective 1 April 2014, subject to subsequent adjustments in accordance with the movement of the United States consumer price index under the pension adjustment system) or the final average remuneration of the participant.

19. "Final average remuneration" means the average annual pensionable remuneration of a participant during the 36 completed months of highest pensionable remuneration within the last five years of contributory service.

20. A participant may, except in the case where a minimum benefit is payable and he or she does not waive the rights thereto, elect to receive (a) if the retirement benefit is $300 per annum or more, a lump sum not greater than the larger of one third of the actuarial equivalent of the retirement benefit (not exceeding the maximum amount payable to a participant then retiring at normal retirement age, with final average remuneration equal to the pensionable remuneration for the top step of the P-5 level), or the amount of the participant's own contributions at retirement, and the participant's retirement benefit is then reduced accordingly; or (b) if the participant's retirement benefit is less than $1,000 per annum, the lump sum actuarial equivalent of the full retirement benefit, including the prospective spouse's benefit, if any, if the participant so elects.

Early retirement

21. An early retirement benefit is payable to a participant whose age on separation is at least 55 (58 for a participant whose participation commenced on or after 1 January 2014) but less than the normal retirement age and who has five years or more of contributory service at separation.

22. The early retirement benefit for a participant whose participation commenced prior to 1 January 2014 is payable at the standard annual rate for a retirement benefit reduced by 6 per cent for each year between the retirement date and normal retirement age, except that (a) if the participant has completed 25 but less than 30 years of contributory service at the date of retirement, the part of the benefit for service before 1 January 1985 is reduced by 2 per cent a year, and the remaining part of the benefit is reduced by 3 per cent a year; or (b) if the participant has completed 30 or more years of contributory service at the date of retirement, the benefit is reduced by 1 per cent a year, provided however that the rate in (a) or

(b) applies to no more than five years. The methodology of calculation of the early retirement benefits for employees whose participation began on or after 1 January 2014 is detailed in article 29 of the Regulations of the Fund.

23. The early retiree may elect to receive a lump sum on the same terms as for a retirement benefit.

Separation from service prior to eligibility for early retirement

24. A deferred retirement benefit is payable to a participant whose age on separation is less than normal retirement age and who has five years or more of contributory service at separation. The deferred retirement benefit is payable at the standard rate for a retirement benefit and commences at normal retirement age. The participant may elect to have the benefit commence at or after age 55 on the same terms as for an early retirement benefit.

25. A withdrawal settlement is payable to a participant separating from service before normal retirement age or on or after normal retirement age if the participant is not entitled to a future retirement benefit. The participant receives his or her own contributions increased by 10 per cent for each year of contributory service in excess of five years, to a maximum increase of 100 per cent.

1.7 Disability benefit

26. A disability benefit is payable to a participant incapacitated for further service for a period likely to be permanent or of long duration.

27. The disability benefit is payable at the standard or minimum annual rate for a retirement benefit if the participant is at least normal retirement age at disability. If the participant is under normal retirement age, it is payable at the rate of the retirement benefit to which the participant would have been entitled if he or she had remained in service until normal retirement age and his or her final average remuneration had remained unchanged.

28. The annual rate of the benefit shall, notwithstanding the above, not be less, when no other benefit is payable on the account of the participant, than the smaller of $500 (increased to $2,741.04 under the pension adjustment system with effect from 1 April 2014, subject to subsequent adjustments in accordance with the movement of the United States consumer price index under the pension adjustment system) or the final average remuneration of the participant.

1.8 Survivor's benefit

29. A benefit is payable to a surviving spouse of a participant who was entitled to a retirement, early retirement, deferred retirement or disability benefit at the date of his or her death, or who died in service if they were married at the time of separation and remained married at the time of death. Certain limitations on eligibility apply in cases of divorced surviving spouses. The surviving spouse's benefit is generally payable at half the amount of the participant's retirement or disability benefit and is subject to certain minimum levels.

1.9 Child benefit

30. A child's benefit is payable to each child under the age of 21 of a participant who is entitled to a retirement, early retirement, or disability benefit or who dies in service, while the child remains under 21. The benefit may also be payable in certain circumstances to a child who is over the age of 21, such as when the child is found to have been incapacitated for substantial gainful employment. The child benefit for each child is generally one third of any retirement or disability benefit due to a participant or that would have been due in the case of a participant who dies in service, subject to certain minimum amounts and also limited in terms of maximum amount. In addition, there are certain total maximum amounts that apply in cases of multiple children of the same participant.

1.10 Other benefits

31. Other benefits include the secondary dependant benefit and the residual settlement benefit. A full description of these benefits is available in the Regulations and Administrative Rules of the Fund.

1.11 Pension adjustment system

32. The provisions of the Fund's pension adjustment system provide for periodic cost-of-living adjustments in benefits. In addition, for participants who retire in a country whose currency is not the United States dollar, the current pension adjustment system is intended to ensure that, subject to certain minimum and maximum provisions, a periodic benefit never falls below the "real" value of its United States dollar amount, as determined under the Regulations and Administrative Rules of the Fund and the pension adjustment system, and preserves its purchasing power as initially established in the currency of the recipient's country of residence. This is achieved by establishing a dollar base amount and a local currency base amount (the two-track system).

33. The "real" value of a United States dollar amount is that amount adjusted over time for movements of the United States consumer price index, while the purchasing power of a recipient's benefit, once established in local currency, is preserved by adjusting it to follow movements of the consumer price index in his or her country of residence.

1.12 Funding policy

34. As a condition of participation in the Fund, participants are required to contribute 7.9 per cent of their pensionable remuneration to the plan. They earn interest at a rate of 3.25 per cent per year in accordance with article 11 (c) of the Regulations of the Fund. The contributions by participants for the years ended 31 December 2015 and 31 December 2014 were $751 million and $757 million, respectively. The contribution figures do not include interest on the contributions.

35. The policy is for member organizations to make contributions on an estimated monthly basis and then to reconcile these estimated amounts in an annual year-end process. The contributions by member organizations are also expressed as a percentage of the pensionable remuneration of the participants as defined in article 54 of the Regulations of the Fund. The contribution rate for member organizations is currently 15.8 per cent; these contributions to the Fund totalled $1,496 million and

$1,503 million during calendar years 2015 and 2014, respectively. When combined with the contributions by participants and expected investment returns, total funding is estimated to be sufficient to provide for the benefits of all employees by the time they retire.

36. The assets of the Fund are derived from:

(a) Contributions of the participants;

(b) Contributions of the member organizations;

(c) Yield from the investments of the Fund;

(d) Deficiency payments, if any, under article 26;

(e) Receipts from any other source.

1.13 Plan termination terms

37. Membership in the Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Board, following application for termination by a member organization or continued default by an organization in its obligations under the Regulations of the Fund.

38. In the event of such termination, a proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund on such date, pursuant to an arrangement mutually agreed between the organization and the Board.

39. The amount of the proportionate share shall be determined by the Board after an actuarial valuation of the assets and liabilities of the Fund.

40. In the event that an actuarial valuation of the Fund shows that its assets may not be sufficient to meet its liabilities under the Regulations of the Fund, there shall be paid into the Fund by each member organization the sum necessary to make good the deficiency.

41. Each member organization shall contribute to the sum necessary to make good the deficiency an amount proportionate to the total contributions which each paid under article 25 during the three years preceding the valuation date.

42. The contribution of an organization admitted to membership less than three years prior to the valuation date shall be determined by the Board.

1.14 Changes in funding policy and plan termination terms during the reporting period

43. There were no changes in the funding policy or plan termination terms during the reporting period.

Note 2
General information

2.1 Basis of presentation

44. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) as issued by the International Public Sector Accounting

Standards Board. The Pension Fund adopted IPSAS as of 1 January 2012. This also specifically included the adoption of International Accounting Standard (IAS) 26, Accounting and reporting by retirement benefit plans, of the International Financial Reporting Standards. While IAS 26 provides accounting guidance, it also offers direction on the presentation of financial statements as it requires the presentation of a statement of net assets available for benefits and a statement of changes in net assets available for benefits. As the Fund has incorporated the guidance in IAS 26 into its financial policies, the presentation of its financial statements is based on this guidance. The Fund also presents cash flow statements on a comparative basis in accordance with IPSAS 2, Cash flow statements, beginning for the year 2015. Additional information is presented where requested by IPSAS standards. For instance, as required by IPSAS 24, Presentation of budget information in financial statements, the Fund has included in its financial statements a comparison of budget and actual amounts on a comparable basis (schedule A) and a reconciliation of actual amounts on a comparable basis and the actual amounts recognized in the financial statements (see note 22). While IPSAS 24 states that the actual cost on a comparable basis should be reconciled to the cash flows from operating, investing and financing activities as presented in the cash flow statement, management has decided to reconcile these amounts to the administrative expenses recognized in the statement of changes in net assets. This is due to the fact that the Fund's budget is limited to the administrative expenses incurred in a biennium.

45. The financial statements are prepared on an annual basis. The financial statements are presented in United States dollars and all values are rounded to the nearest thousand United States dollars except where otherwise indicated.

2.2 Significant standards, interpretations and amendments during the year

46. In January 2015, the IPSAS Board issued IPSAS 35, Consolidated financial statements. IPSAS 35 supersedes the requirements in IPSAS 6, which addressed accounting for consolidated financial statements. IPSAS 35 establishes a single control model that applies to all entities, including special purpose entities. In addition, IPSAS 35 includes an exception from consolidation for entities that meet the definition of an investment entity and requires such entities to recognize all investments at fair value through profit or loss. The standard is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Fund has adopted this standard early, effective from 1 January 2015. As from 31 December 2015, the Fund does not have control over any of its investment portfolio, accordingly adoption of this standard did not have any impact on the Fund's financial statements.

47. In January 2015, the IPSAS Board issued IPSAS 36, Investments in associates and joint ventures. IPSAS 36 explains the application of the equity method of accounting, which is used to account for investments in associates and joint ventures. The standard is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Fund has adopted this standard early, effective from 1 January 2015. As from 31 December 2015, the Fund does not have joint control or significant influence over any of its investment portfolio, accordingly adoption of this standard did not have any impact on the Fund's financial statements.

48. In January 2015, the IPSAS Board issued IPSAS 38, Disclosure of interests in other entities. IPSAS 38 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IPSAS 38 are more comprehensive than the previously existing disclosure requirements. The standard is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Fund has adopted this standard early, effective from 1 January 2015. As from 31 December 2015 the Fund does not have controlling interest, joint control or significant influence in any of its investment portfolio, accordingly there are no additional disclosure requirements on adoption of this standard.

49. Other accounting standards that have been issued by the IPSAS Board are either not expected to have any impact or have immaterial impact on the Fund's financial statements.

2.3 Other general information

50. The Fund compiles its financial statements using data collected from three main areas. For operational activities (contributions and payment of benefits), the Fund maintains its own records and systems. For investment activities, the Fund receives a monthly general ledger feed from the independent master record keeper comprising information collected and reconciled from source data provided by the Investment Management Division, global custodians and fund managers. For its administrative expenses, the Fund utilizes systems of the United Nations Secretariat (the Integrated Management Information System (IMIS) and Umoja) to record and compile its administrative expense activity. The information provided by IMIS and Umoja are provided on a modified cash basis and subsequently reworked to a full accrual basis by the Fund. Some of the administrative expenses of the Fund, including costs associated with the administrative tasks of the United Nations Staff Pension Committee, are reimbursed by the United Nations under the terms of a cost sharing arrangement. Consequently, the Fund has decided to reflect the reimbursement by the United Nations as a reduction of its administrative expenses, subsequently converted in full accrual accounting in accordance with IPSAS requirements.

Note 3
Significant accounting policies

3.1 Cash and cash equivalents

51. Cash and cash equivalents are held at nominal value and include cash on hand, cash held with external managers and short-term, highly liquid time deposits held with financial institutions with maturities of three months or less from the date of acquisition.

3.2 Investments

3.2.1 Classification of investments

52. All investments of the Fund are designated at fair value through surplus and deficit. Consequently, the Fund's investments are carried and reported at fair value on the statement of net assets available for benefits, with changes in fair value recognized in the statement of changes in net assets available for benefits. Purchases and sales of securities are recorded on a trade date basis. The designation and

classification of the investments are carried out at initial recognition and reassessed at each reporting date.

53. Any transaction costs arising as part of an investment trade designated at fair value are expensed and recognized in the statement of changes in net assets.

54. The Fund classifies its investments in the following categories:

- Short-term investments (including fixed income investments maturing more than three months but less than one year from the date of acquisition)
- Equities (including exchange-traded funds, common and preferred stocks, stapled securities and publicly traded real estate investment trusts)
- Fixed income (including fixed income investments maturing more than one year from acquisition date)
- Real assets (including investments in funds where the underlying assets are real assets such as real properties, infrastructure assets, timber and agriculture)
- Alternative and other investments (including investments in private equity funds and commodity funds, and investments classified as hedge funds).

3.2.2 *Valuation of financial instruments*

55. The Fund uses the established and documented process of its master record keeper for determining fair values, which is reviewed and validated by the Fund at the reporting date. Fair value is based on quoted market prices where available. If the fair market value is not available, valuation techniques are used.

56. Investments in commingled funds and private equity and private real estate investment funds are usually not quoted in an active market and therefore may not have a readily determinable fair market value. However, the fund managers generally report investments in the funds on a fair value basis. Therefore, the Fund determines fair value using the net asset value information as reported by the investee fund managers in the latest available quarterly capital account statements. Where the fourth quarter capital account statements or estimated net asset values are not received by the time the Fund's financial statements are prepared, the fair value is calculated based on the third quarter net asset value reported by the investee fund managers adjusted by any cash flows in the fourth quarter. For financial assets and liabilities not designated at fair value through surplus and deficit, the carrying value approximates fair value.

Interest and dividend income

57. Interest income is recognized on a time-proportionate basis. It includes interest income from cash and cash equivalents and short-term and fixed income investments.

58. Dividend income is recognized on the ex-dividend date when the right to receive payment is established.

3.2.3 *Income from real assets and alternative investments*

59. Income distributed from unitized funds is treated as income in the period in which it is earned.

3.2.4 *Receivable/payable from/to investments traded*

60. Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the date of the statement of net assets available for benefits. These amounts are recognized at the amount expected to be paid or received to settle the balances. Distributions from real assets and alternative fund investments declared but not received prior to year-end are also included under receivables from investments traded, to the extent the year-end net asset value of the fund that declares a distribution already includes the distribution to be made.

61. Impairment of receivables from investments traded is recorded when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganization and default in payments are considered indicators that the receivable from investments traded is impaired.

3.3 Tax status and withholding tax receivables

62. The Fund is exempt from national taxation of Member States on the Fund's direct investments in accordance with Article 105 of the Charter of the United Nations and with article II, section 7 (a) of the Convention on the Privileges and Immunities of the United Nations. While some Member States grant relief at source for the Fund's income from investments, other countries continue to withhold taxes at the time dividends are paid. In these instances, the Fund's custodians file claims to the governmental taxing authorities for refunds on behalf of the Fund. In Brazil, some regions in China and for certain years in Turkey there is no formally established reclamation mechanism in place and in these cases the Fund's custodians have thus far been unable to file and/or reclaim the withheld taxes. As these Member States have confirmed the Fund's tax exempt status, the taxes withheld from direct investments in these countries are accrued and continue to be fully provided for in 2015.

63. The Fund measures its withholding tax receivable at the amount deemed to be recoverable.

64. For the purposes of disclosure, the tax balances are recorded under withholding tax receivable in the statement of net assets available for benefits. Any amount considered to be unrecoverable is recognized in the statement of changes in net assets available for benefits and is included under withholding tax expense.

3.4 Critical accounting estimates

65. Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

Fair value of financial instruments

66. The Fund may hold financial instruments that are not quoted in active markets. The fair value of such instruments is determined using valuation techniques. Where valuation techniques are used to determine fair value, they are validated and

periodically reviewed and modified as required. Valuation models are calibrated by back testing to actual transactions to ensure that outputs are reliable.

67. Fair value of financial instruments not quoted in an active market may also be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Quotes by brokers as obtained from the pricing sources may be indicative and not executable or binding. The Fund exercises judgment on the quantity and quality of pricing sources used. Where no market data is available, the Fund may value financial instruments using internal valuation models, which are usually based on valuation methods and techniques generally recognized as standard within the industry.

68. Valuation models are created using observable data to the extent practicable. However, in areas such as credit risk (of both the Fund and the counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

69. The determination of what constitutes "observable" requires significant judgment by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Taxes

70. Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on withholding tax. Given the wide range of international investments, differences arising between the actual income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded.

Impairment

71. The annual review to assess potential impairment is an area where the Fund exercises significant judgment.

Bad debt provision for the Fund's non-investment-related receivables

72. A provision is established to properly reflect the accurate position of the accounts receivable for all non-performing overpayments of pension benefits that are two years or older as at the respective year-end date of the financial statements.

Actuarial assumptions

73. Disclosure note 19 contains information on assumptions used for actuarial purposes.

3.5 Contributions

74. Contributions are recorded on an accrual basis. Participants and their employing member organizations are required to contribute to the Fund 7.9 per cent and 15.8 per cent, respectively, of the pensionable remuneration of the participants. Each month the Fund accrues a receivable amount for contributions expected. When

contributions are actually received, the receivable is offset. Contributions are due to be paid by member organizations by the second business day of the month following the month for which the contributions relate. The contributions vary based on changes in the number of participants, changes in the distribution of participants, changes in pensionable remuneration rates as a result of cost-of-living increases determined by the International Civil Service Commission, and the yearly grade step increase to individual pensionable remuneration received by all participants.

3.6 Benefits

75. Payments of benefits, including withdrawal settlements, are recorded on an accrual basis. The right to a benefit is generally forfeited if, for two years (withdrawal settlement or residual settlement) or five years (retirement, early retirement, deferred retirement or disability benefit) after payment has been due, the beneficiary has failed to submit payment instructions or has failed or refused to accept payment.

3.7 Accounting for non-United States dollar denominated currency translations and balances

76. Non-United States dollar denominated currency transactions are translated using the spot exchange rate between the functional currency and the non-United States dollar denominated currency at the date of the transaction.

77. At each reporting date, non-United States dollar denominated monetary items are translated using the closing spot rate. The Fund applies the Bloomberg rates as the spot rate for investment activities and the United Nations operational rate of exchange for non-investment activities. Exchange differences arising on the settlement of these monetary items or on translating these monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in the statement of changes in net assets available for benefits in the period in which they arise.

3.8 Leases

78. All of the Fund's leases are categorized as operating leases. An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

3.9 Property, plant and equipment

79. Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. All assets acquired for a cost of $20,000 and above are capitalized. The Fund reviews this threshold annually for reasonableness. The Fund owns no land or buildings.

80. Depreciation is provided for property, plant and equipment over their estimated useful life using the straight-line method. The estimated useful lives for property, plant and equipment classes are as follows:

Class	*Estimated useful life, in years*
Computer equipment	4
Office equipment	4
Office furniture	10
Office fixtures and fittings	7
Audio/visual equipment	7

81. Leasehold improvements are recognized as assets and valued at cost and are depreciated over the lesser of seven years or the lease term. Impairment reviews are undertaken if indicators of impairment exist.

3.10 Intangible assets

82. Intangible assets are capitalized if their cost exceeds the threshold of $20,000, except for internally developed software where the threshold is $50,000. The capitalized cost of internally developed software excludes costs related to research and maintenance. Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. Amortization is recognized over the estimated useful life using the straight-line method. The estimated useful lives for intangible asset classes are as follows:

Class	*Estimated useful life, in years*
Software acquired externally	3
Internally developed software	6
Licences and rights, copyrights and other intangible assets	Shorter of 3 years or the life of the asset

3.11 Emergency fund

83. The appropriation is recorded when the authorization is approved by the General Assembly. Participants wishing to avail themselves of this benefit apply to the Pension Fund. After review and authorization, approved amounts are paid to the participant. Payments are charged directly against the appropriation account and any unexpended balance reverts to the Fund at the end of the year. Current expense for the year is reported in the statement of changes in net assets available for benefits.

3.12 Provisions and contingent liabilities

84. Provisions are made for future liabilities and charges where the Fund has a present legal or constructive obligation as a result of past events and it is probable that the Fund will be required to settle the obligation.

85. Other commitments that do not meet the recognition criteria for liabilities are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the Fund.

3.13 Employee benefits

86. Among certain short-term and other long-term benefits, the Fund provides its employees with certain post-employment benefits.

87. After-service health insurance, repatriation grants and death benefits are classified as defined benefit schemes and accounted for as such.

88. The employees of the Fund themselves participate in the Pension Fund. While the Fund is a defined benefit scheme, it has been classified as a multiemployer fund. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligations, plan assets and costs to individual organizations participating in the plan. The Fund, in line with the other participating organizations in the Fund, is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. The Fund's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

3.14 Reconciliation of budget information

89. The Fund's budget is prepared on a modified cash basis and the financial statements are prepared on an accrual basis.

90. The General Assembly approves the biennial budget for the Fund's administrative expenses. Budgets may be subsequently amended by the Assembly or through the exercise of delegated authority.

91. As required by IPSAS 24, schedules A and B, the statement of comparison of budget and actual amounts in relation to administrative expenses for the biennium 2014-2015, and the statement of comparison of budget and actual amounts for the year ended 31 December 2015, provide a comparison of budget and actual amounts on a comparable basis. The comparison includes the original and final budget amounts, the actual amounts on the same basis as the corresponding budgetary amounts and an explanation of material differences (> +/-10%) between the actual and budget amounts.

92. Note 22 provides a reconciliation of actual amounts presented on the same basis as the budget and actual amounts included in the IPSAS financial statements.

3.15 Related party transactions

93. Parties are considered to be related when one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

94. The following parties are considered related parties for the Pension Fund:

(a) Key management personnel: the Chief Executive Officer, the Representative of the Secretary-General, the Deputy Chief Executive Officer, the Director of the Investment Management Division and the Chief Financial Officer;

(b) The General Assembly;

(c) The 23 member organizations participating in the Fund;

(d) The United Nations International Computing Centre.

95. A summary of the relationship and transactions with the above parties is given in note 24.

3.16 Subsequent events

96. Any information that is received after the reporting period but before the financial statements are issued about conditions that existed at the date of the statement of net assets available for benefits is incorporated in the financial statements.

97. In addition, any event that occurs after the date of the statement of net assets available for benefits but before the financial statements are published that is material to the Fund are disclosed in the notes to the financial statements.

Note 4
Cash and cash equivalents

98. Cash and cash equivalents include:

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Cash on hand: Investment Management Division	1 293 752	1 927 274
Cash on hand: Fund secretariat	142 534	145 874
Cash held by external managers	51 846	37 736
Total cash and cash equivalents	**1 488 132**	**2 110 884**

Note 5
Financial instruments by category

99. The following tables provide an overview of all financial instruments held by category as at 31 December 2015 and 31 December 2014:[2]

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[2] Non-financial assets and liabilities other than employee benefits are excluded from the tables, as this analysis is required only for financial instruments.

(Thousands of United States dollars)

	As at 31 December 2015		
	Financial instruments at fair value	*Loans and receivables*	*Other financial liabilities*
Financial assets as indicated in the statement of net assets available for benefits			
Cash and cash equivalents	1 488 132	–	–
Investments			
Short-term investments	534 952	–	–
Equities	32 501 344	–	–
Fixed income	12 485 103	–	–
Real assets	3 315 119	–	–
Alternative and other investments	1 865 629	–	–
Contributions receivable	–	42 797	–
Accrued income from investments	–	147 836	–
Receivable from investments traded	–	16 396	–
Withholding tax receivables	–	12 604	–
Other assets	–	20 904	–
Total financial assets	**52 190 279**	**240 537**	–
Financial liabilities as indicated in the statement of net assets available for benefits			
Benefits payable	–	–	89 594
Payable from investments traded	–	–	10 796
After-service health insurance and other employee benefit liabilities	–	–	70 358
Other accruals and liabilities	–	–	12 638
Total financial liabilities	–	–	**183 386**

(Thousands of United States dollars)

	As at 31 December 2014		
	Financial instruments at fair value	*Loans and receivables*	*Other financial liabilities*
Financial assets as indicated in the statement of net assets available for benefits			
Cash and cash equivalents	2 110 884	–	–
Investments			
Short-term investments	–	–	–
Equities	33 616 919	–	–
Fixed income	12 830 186	–	–
Real assets	2 764 409	–	–
Alternative and other investments	1 523 766	–	–
Contributions receivable	–	39 283	–
Accrued income from investments	–	155 645	–
Receivable from investments traded	–	16 319	–
Withholding tax receivables	–	8 782	–
Other assets	–	18 074	–
Total financial assets	**52 846 164**	**238 103**	**–**
Financial liabilities as indicated in the statement of net assets available for benefits			
Benefits payable	–	–	68 691
Payable from investments traded	–	–	44 710
After-service health insurance and other employee benefit liabilities	–	–	76 992
Other accruals and liabilities	–	–	26 962
Total financial liabilities	**–**	**–**	**217 355**

Investments exceeding 5 per cent of net assets

100. There were no investments representing 5 per cent or more of net assets available for benefits as at 31 December 2015 and 31 December 2014.

101. There were no investments representing 5 per cent or more of equities and fixed income as at 31 December 2015. The Fund held a total of $361.7 million in two real estate funds as at 31 December 2015, which represented 5 per cent or more of the real assets category. The Fund also held investments of $484.8 million in one hedge fund, and $300.5 million in three private equity funds, which represented 5 per cent or more of the alternative and other investments category.

102. There were no investments representing 5 per cent or more of equities and fixed income as at 31 December 2014. The Fund held a total of $328.4 million in two real estate funds as at 31 December 2014, which represented 5 per cent or more of the real assets category. The Fund also held investments of $519.9 million in one hedge fund and $104.6 million in one private equity fund, which represented 5 per cent or more of the alternative and other investments category.

Note 6
Fair value measurement

103. IPSAS establishes a three-level fair value hierarchy under which financial instruments are categorized based on the significance of inputs to the valuation technique. Level 1 includes those securities where unadjusted quoted prices are available in active markets for identical assets or liabilities. Level 2 includes those securities where inputs other than quoted prices included within level 1 are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Level 3 includes those securities where inputs for the asset or liability are not based on observable market data (that is, unobservable inputs). The level in the fair value hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level of information that is significant to the fair value measurement. If a fair value measurement of an investment uses observable inputs that require significant adjustment based on unobservable inputs, that investment is classified as level 3.

104. Assessing the significance of a particular input to the fair value measurement of an investment in its entirety requires judgment, considering factors specific to the investment.

105. The following tables present the fair value hierarchy of the Fund's investments (by asset class) measured at fair value as at 31 December 2015 and 31 December 2014:

(Thousands of United States dollars)

Hierarchy disclosure as at 31 December 2015				
	Level			
	1	*2*	*3*	*Total*
Short-term investments	–	534 952	–	534 952
Equities				
Common and preferred stock	29 752 374	–	–	29 752 374
Funds — exchange traded funds	2 329 996	–	–	2 329 996
Real estate investment trusts	219 421	–	–	219 421
Funds — common stock	–	–	165 279	165 279
Stapled securities	34 274	–	–	34 274
Total equities	**32 336 065**	**–**	**165 279**	**32 501 344**
Fixed income				
Government and agencies securities	–	8 071 274	49 569	8 120 843
Corporate bonds	–	3 646 668	15 648	3 662 316
Municipal/provincial bonds	–	537 704	–	537 704
Commercial mortgage-backed	–	120 090	–	120 090
Funds — corporate bond	–	–	44 150	44 150
Total fixed income	**–**	**12 375 736**	**109 367**	**12 485 103**

Hierarchy disclosure as at 31 December 2015

	Level			
	1	*2*	*3*	*Total*
Real assets				
Real estate funds	–	187 160	3 001 137	3 188 297
Infrastructure assets	–	–	110 882	110 882
Timberlands	–	–	15 940	15 940
Total real assets	–	**187 160**	**3 127 959**	**3 315 119**
Alternative and other investments				
Hedge funds	–	484 796	29 836	514 632
Private equity	–	–	1 249 337	1 249 337
Commodity funds	–	–	101 660	101 660
Total alternative and other investments	–	**484 796**	**1 380 833**	**1 865 629**
Total	**32 336 065**	**13 582 644**	**4 783 438**	**50 702 147**

(Thousands of United States dollars)

Hierarchy disclosure as at 31 December 2014

	Level			
	1	*2*	*3*	*Total*
Short-term investments	–	–	–	–
Equities				
Common and preferred stock	30 429 734	7 477	–	30 437 211
Funds — exchange-traded funds	2 392 095	–	–	2 392 095
Real estate investment trusts	547 048	–	–	547 048
Funds — common stock	–	–	214 878	214 878
Unit trust equity	–	–	–	–
Stapled securities	25 687	–	–	25 687
Total equities	**33 394 564**	**7 477**	**214 878**	**33 616 919**
Fixed income				
Government and agencies securities	–	8 448 941	195 761	8 644 702
Corporate bonds	–	3 459 244	37 712	3 496 956
Municipal/provincial bonds	–	497 234	–	497 234
Commercial mortgage-backed	–	144 999	–	144 999
Funds — corporate bond	–	–	46 295	46 295
Guaranteed fixed income	–	–	–	–
Total fixed income	–	**12 550 418**	**279 768**	**12 830 186**

Hierarchy disclosure as at 31 December 2014

	Level			
	1	*2*	*3*	*Total*
Real assets				
Real estate funds	–	156 305	2 512 320	2 668 625
Infrastructure assets	–	–	78 843	78 843
Timberlands	–	–	16 941	16 941
Total real assets	–	**156 305**	**2 608 104**	**2 764 409**
Alternatives and other investments				
Hedge funds	–	519 882	–	519 882
Private equity	–	–	864 947	864 947
Commodity funds	–	–	138 937	138 937
Total alternatives and other investments	–	**519 882**	**1 003 884**	**1 523 766**
Total	33 394 564	**13 234 082**	**4 106 634**	**50 735 280**

Equities

106. Common and preferred stocks, exchange-traded funds, real estate investment trusts and stapled securities were classified under level 1 if bid prices were available from institutional vendors. In 2014, there was an investment in one depository receipt amounting to $7.5 million which was classified under level 2 as its value was based on bid evaluation.

107. Common stock funds and unit trust equity funds amounting to $165.3 million as at 31 December 2015 (31 December 2014: $214.9 million) were valued using a net asset value approach and hence classified under level 3.

Fixed income

108. The vast majority of the fixed income securities prices were not obtained from an active market directly, which would have led to a level 1 classification. Instead prices were obtained through bids from brokers, which were indicative quotes and therefore classified as level 2.

109. Index-linked non-United States government bonds amounting to $49.6 million as at 31 December 2015 (31 December 2014: $195.8 million) were classified as level 3, as their values were based on evaluations of brokers bids adjusted for indexing, which was generally uncorroborated market data.

110. Corporate bonds and corporate bond funds amounting to $59.8 million as at 31 December 2015 (31 December 2014: $84.0 million) were considered to be level 3. Inputs for the value of these investments, while available from third-party sources, were not well-defined, readily observable market data. Consequently, the Fund has decided to classify such investments as level 3.

Real assets and alternative and other investments

111. Real assets amounting to $3,128.0 million as at 31 December 2015 (31 December 2014: $2,608.1 million) as well as alternative and other investments amounting to $1,380.8 million as at 31 December 2015 (31 December 2014: $1,003.9 million) were classified under level 3, as they were priced using the net asset value methodology, for which the Fund was unable to corroborate or verify inputs using observable market data. In addition, limited options were available to the investors to redeem units, hence making the investments in such funds relatively illiquid.

112. Investment in a hedge fund, amounting to $484.8 million as at 31 December 2015 (31 December 2014: $519.9 million), and two real estate funds, amounting to $187.1 million (December 2014: $156.3 million), which were readily redeemable at net asset value without penalties was classified as level 2 assets and represented the net asset value as reported by the fund manager.

113. The following table presents the transfers between levels for the year ended 31 December 2015.

(Thousands of United States dollars)

Transfers between levels for the year ended 31 December 2015

	Level			
	1	*2*	*3*	*Total*
Transfers into				
Fixed income	–	–	–	–
Real assets	–	–	–	
Equities	7 477	–	–	7 477
Total	**7 477**			**7 477**
Transfers out of				
Fixed income	–	–	–	–
Real assets	–	–	–	–
Equities	–	(7 477)	–	(7 477)
Total	**–**	**(7 477)**	**–**	**(7 477)**

114. The following table presents the transfers between levels for the year ended 31 December 2014.

(Thousands of United States dollars)

Transfers between levels for the year ended 31 December 2014

	Level			
	1	*2*	*3*	*Total*
Transfers into				
Fixed income	–	70 181	–	70 181
Real assets	–	–	54 768	54 768
Alternative and other investments	–	–	–	–
Total	–	**70 181**	**54 768**	124 949
Transfers out of				
Fixed income	–	–	(70 181)	(70 181)
Real assets	(54 768)	–	–	(54 768)
Alternative and other investments	–	–	–	–
Total	**(54 768)**	–	**(70 181)**	**(124 949)**

115. For the year ended 31 December 2015, there was a transfer of one equity security amounting to $7.5 million out of level 2 and into level 1. The security is priced by multiple vendors and there is now observable data available quoted in an active market. As such, the Fund has decided to classify this investment as level 1.

116. For the year ended 31 December 2014, transfers out of level 3 into level 2 amounting to $70.2 million were attributable to continued improvement in the liquidity of the markets trading such investments and higher transaction volumes for the underlying securities. This led to securities being priced by multiple vendors and hence more observable data being available. Investment in one real asset fund amounting to $54.8 million was transferred from level 1 to level 3, as this investment was priced in 2014 using the net asset value methodology.

117. The following table presents the movements in level 3 instruments for the year ended 31 December 2015 by class of financial instrument:

(Thousands of United States dollars)

	Movements of level 3 instruments, 2015				
	Equities	*Fixed income*	*Real assets*	*Alternative and other investments*	*Total*
Opening balance	214 878	279 768	2 608 104	1 003 884	**4 106 634**
Purchases	3 099	30 581	730 071	486 159	**1 249 910**
Sales/return of capital	(16 000)	(174 565)	(505 203)	(142 818)	**(838 586)**
Transfers (out)/in of level 3	–	–	–	–	–
Net gains/(losses) recognized in the statement of changes in net assets available for benefits	(36 698)	(26 417)	294 987	33 608	**265 480**
Closing balance	**165 279**	**109 367**	**3 127 959**	**1 380 833**	**4 783 438**
Change in unrealized gains/(losses) for level 3 assets held at the period end and included in the statement of changes in net assets available for benefits	(32 412)	(63 552)	162 419	32 345	98 800

118. The following table presents the movements in level 3 instruments for the period ended 31 December 2014 by class of financial instrument:

(Thousands of United States dollars)

	Movements of level 3 instruments, 2014				
	Equities	*Fixed income*	*Real assets*	*Alternative and other investments*	*Total*
Opening balance	210 161	594 653	2 193 523	701 601	**3 699 938**
Purchases	68 398	18 597	571 656	389 874	**1 048 525**
Sales/return of capital	(20 000)	(236 740)	(471 444)	(105 856)	**(834 040)**
Transfers (out of)/into level 3	–	(70 181)	54 768	–	**(15 413)**
Net gains and losses recognized in the statement of changes in net assets available for benefits	(43 681)	(26 561)	259 601	18 265	**207 624**
Closing balance	**214 878**	**279 768**	**2 608 104**	**1 003 884**	**4 106 634**
Change in unrealized gains and losses for level 3 assets held at the period end and included in statements of changes in net assets available for benefits	(44 145)	(27 516)	185 427	46 509	160 275

Note 7

Accrued income from investments

119. Accrued income from investments is income earned during the year which has yet to be received as at the date of the statement of net assets available for benefits. Accrued income from temporary investments is mainly from interest earned on cash balances.

(Thousands of United States dollars)

	Accrued income from investments	
	31 December 2015	*31 December 2014*
Cash and cash equivalents	133	287
Short-term investments	3 768	–
Fixed income securities	98 114	112 617
Dividends receivable on equities	43 089	39 598
Real assets and alternative investments	2 732	3 143
Total accrued income from investments	**147 836**	**155 645**

Note 8
Withholding tax receivables

120. The outstanding balances of withholding income taxes as at 31 December 2015 and 31 December 2014 are shown in the following tables:

	Denominated in local currency						*Equivalent in*	*Tax amount deemed not recoverable*	*Recoverable withholding tax amount*
Country	*Currency*	*Prior to 2014*	*2014*	*2015*	*Total as at 31 December 2015*	*Foreign exchange rate*	*Thousands of United States dollars*		
Australia	Australian dollar	92 371	86 587	–	178 958	1.374476	130	–	130
Austria	Euro	–	24 827	–	24 827	0.920556	27	–	27
Brazil	Brazilian real	1 612 050	–	–	1 612 050	3.956250	407	(407)	–
Canada	United States dollar	–	–	–	–	1.000000	–	–	–
China	Hong Kong dollar	45 259 420	10 504 499	9 284 941	65 048 860	7.750150	8 393	(8 393)	–
Germany	Euro	–	–	5 935 812	5 935 812	0.920556	6 448	–	6 448
Greece	Euro	98 632	–	–	98 632	0.920556	107	–	107
Malaysia	Malaysian ringgit	–	–	–	–	4.293500	–	–	–
Netherlands	Euro	–	77 111	54 269	131 380	0.920556	143	–	143
Russian Federation	United States dollar	497 372	–	–	497 372	1.000000	497	–	497
Singapore	Singapore dollar	51 781	–	–	51 781	1.418650	37	–	37
Spain	Euro	–	–	243 407	243 407	0.920556	265	–	265
Sweden	Euro	26 819	–	–	26 819	0.920556	29	–	29
Switzerland	Swiss franc	–	–	2 094 030	2 094 030	1.001000	2 092	–	2 092
	Euro	–	–	–	–	0.920556	–	–	–
Turkey	Turkish lira	1 386 403		–	1 386 403	2.918850	475	(475)	–
United Kingdom	Pound sterling	–	–	109	109	0.678472	–	–	–
	Euro	298 085	914 706	1 391 575	2 604 366	0.920556	2 829	–	2 829
United States	United States dollar	–		–	–	1.000000	–	–	–
Withholding tax receivable net of provision							**21 879**	**(9 275)**	**12 604**

	Denominated in local currency								
Country	*Currency*	*Prior to 2013*	*2013*	*2014*	*Total as at 31 December 2014*	*Foreign exchange rate*	*Equivalent in*	*Tax amount deemed not recoverable*	*Recoverable withholding tax amount*
							(Thousands of United States dollars)		
Australia	Australian dollar	–	92 371	86 587	178 958	1.221971	146	–	146
Austria	Euro	–	6 575	24 827	31 402	0.826412	38	–	38
Brazil	Brazilian real	1 461 428	150 623	–	1 612 051	2.658200	606	(606)	–
Canada	United States dollar	–	13 963	–	13 963	1.000000	14	–	14
China	Hong Kong dollar	40 499 942	12 640 198	10 995 424	64 135 564	7.754850	8 270	(7 987)	283
Greece	Euro	98 632	–	–	98 632	0.826412	119	–	119
Malaysia	Malaysian ringgit	308 398	361 035	–	669 433	3.496500	192	–	192
Netherlands	Euro	–	126 773	143 288	270 061	0.826412	327	–	327
Russian Federation	United States dollar	44 584	–	87 770	132 354	1.000000	132	–	132
Singapore	Singapore dollar	51 781	–	–	51 751	1.325100	39	–	39
Spain	Euro	–	–	455 971	455 971	0.826412	552	–	552
Sweden	Euro	26 819	–	–	26 819	0.826412	32	–	32
Switzerland	Swiss franc	–	–	4 256 933	4 256 933	0.993650	4 284	–	4 284
	Euro	–	–	7 951	7 951	0.826412	10	–	10
Turkey	Turkish lira	1 386 403	–	–	1 386 403	2.337750	593	(593)	–
United Kingdom	Pound sterling	–	–	25 121	25 121	0.641334	39	39	–
	Euro	–	928 180	1 199 657	2 127 837	0.826412	2 575	–	2 575
United States	United States dollar	–	–	–	–	1.000000	–	–	–
Withholding tax receivable net of provision							**17 968**	**(9 186)**	**8 782**

Note 9
Other assets

121. The other assets included in the statement of net assets available for benefits can be broken down as follows:

(Thousands of United States dollars)

	31 December 2015	31 December 2014
Prepaid benefits and benefits receivable	15 167	14 865
Property, plant and equipment	4 223	3 004
Intangible assets in use	15 087	211
Intangible assets under development	115	13 357
United Nations receivables	5 226	2 862
Other receivables	511	347
Total	**40 329**	**34 646**

9.1 Prepaid benefits and benefits receivables

122. An overview of the prepayments and other accounts receivable held by the Fund is as follows:

	31 December 2015	31 December 2014
Prepaid benefits[a]	–	11 470
Prepayments	770	348
Benefits receivable[a]	18 652	6 323
Benefits receivable — provision	(4 255)	(3 276)
Total	**15 167**	**14 865**

[a] As part of IPAS implementation, the Pension Board decided to harmonize from September 2015 the disbursement of monthly benefits for all beneficiaries at the end of each month (in arrears), rather than the beginning of each month (in advance) for certain beneficiaries. In order to ensure that there was no gap in monthly cash flow for beneficiaries, a special one-time advance payment was made at the beginning of August 2015. The one-time advance payments are recoverable upon the demise of the beneficiaries. Consequent to this change, the amount of prepaid benefits as at 31 December 2015 is nil and the amount of benefits receivable includes $10.6 million recoverable upon the demise of the beneficiaries as at 31 December 2015.

9.2 Property, plant and equipment

123. An overview of the fixed assets held by the Fund is as follows:

(Thousands of United States dollars)

	Information technology equipment	*Leasehold improvements*		
		In use	*Under construction*	*Total*
Cost				
1 January 2015	4 785	10 880	–	**15 665**
Additions	–	–	2 170	**2 170**
Disposals/transfers	(3 452)	–	–	**(3 452)**
31 December 2015	1 333	10 880	2 170	**14 383**
Accumulated depreciation				
1 January 2015	4 256	8 405	–	**12 661**
Depreciation	282	669	–	**951**
Disposals/transfers	(3 452)	–	–	**(3 452)**
31 December 2015	1 086	9 074	–	**10 160**
Net book value, 31 December 2015	**247**	**1 806**	**2 170**	**4 223**

	Information technology equipment	*Leasehold improvements*	*Total*
Cost			
1 January 2014	4 778	10 880	**15 658**
Additions	360	–	**360**
Disposals/transfers	(353)	–	**(353)**
31 December 2014	4 785	10 880	**15 665**
Accumulated depreciation			
1 January 2014	4 114	7 735	**11 849**
Depreciation	495	670	**1 165**
Disposals/transfers	(353)	–	**(353)**
31 December 2014	4 256	8 405	**12 661**
Net book value, 31 December 2014	**529**	**2 475**	**3 004**

124. The leasehold improvements in use and additions to lease hold improvements under construction during the year included above relate to the Fund's improvements to its offices in New York.

9.3 Intangible assets

125. The intangible asset amount included in the statements of net assets available for benefits can be broken down as follows:

(Thousands of United States dollars)

	Intangible assets		
	In use	*Under construction*	*Total*
Cost			
1 January 2015	2 259	13 357	**15 616**
Additions	–	4 804	**4 804**
Transfers	18 046	(18 046)	–
Disposals	–	–	–
31 December 2015	20 305	115	**20 420**
Accumulated depreciation			
1 January 2015	2 049	–	**2 049**
Amortization	3 169	–	**3 169**
Disposals	–	–	–
31 December 2015	5 218	–	**5 218**
Net book value, 31 December 2015	**15 087**	**115**	**15 202**

(Thousands of United States dollars)

	Intangible assets		
	In use	*Under construction*	*Total*
Cost			
1 January 2014	2 891	9 623	**12 514**
Additions	52	3 897	**3 949**
Transfers	163	(163)	–
Disposals	(847)	–	**(847)**
31 December 2014	2 259	13 357	**15 616**
Accumulated amortization			
1 January 2014	2 003	–	**2 003**
Amortization	328	–	**328**
Disposals	(282)	–	**(282)**
31 December 2014	2 049	–	**2 049**
Net book value, 31 December 2014	**210**	**13 357**	**13 567**

126. The costs transferred from under construction to in use relate to the IPAS project. The disposal of $0.8 million is related to the Murex system, which was decommissioned in 2014.

Note 10
Benefits payable

127. The amount shown in the statement of net assets can be broken down as follows:

	31 December 2015	*31 December 2014*
Withdrawal settlements	35 896	11 144
Lump-sum payments	15 228	24 770
Periodic benefits payable	38 527	31 023
Other benefits payable	(57)	1 754
Total	**89 594**	**68 691**

Note 11
After-service health insurance and other employee benefits

128. A breakdown of the amount shown in the statement of net assets for after-service health insurance and other benefits payable is as follows:

	31 December 2015	*31 December 2014*
After-service health insurance actuarial liability	63 138	68 717
Repatriation grant and related costs	2 846	2 723
Education grant and related costs	268	271
Death benefit	148	106
Annual leave	3 723	4 938
Home leave	235	237
Total	**70 358**	**76 992**

After-service health insurance, annual leave, repatriation grants and death benefit liability

129. The Fund provides its employees who have met certain eligibility requirements with the following after-service and end-of-service benefits.

- Health-care benefits after they retire. This benefit is referred to as after-service health insurance
- Repatriation benefits to facilitate the relocation of expatriate staff members
- Annual leave benefits to provide staff members with periods of time off from work at full pay for personal reasons and for purposes of health, rest and recreation. Upon separation from service, staff members who have accrued unused annual leave will be paid for each day of unused leave up to a maximum of 60 days
- Death benefits payable in case of death in service to any dependants

130. The liabilities as at 31 December 2015 were calculated based on census data as at 30 September 2015, provided to the actuary by the United Nations; the liabilities

as at 31 December 2014 are the result of the roll-forward to 31 December 2014 of the end-of-service benefit obligations as at 1 January 2014 for the Fund by the consulting actuary; and:

- Health insurance premium and contribution data provided by the United Nations
- Actual retiree claims experience under health insurance plans
- Estimated travel and shipment costs and annual leave balances reported by the United Nations in the census data
- Various economic, demographic and other actuarial assumptions
- Generally accepted actuarial methods and procedures

131. The key assumptions in the calculation of after-service liabilities are the discount rate and health-care trend rates. The discount rate is based on the spot rate, which reflects the market expectations at the time of the calculations to meet future expected benefit payments, based on high quality bonds. The discount rate is then the equivalent single rate that would produce the same liability as the full spot curve using the multiple bonds necessary to meet the future cash flow expectations.

132. For 31 December 2015, the single equivalent discount rates were selected and determined by the Fund as follows:

- 3.97 per cent for the after-service health insurance scheme
- 3.58 per cent for repatriation benefits
- 3.68 per cent for annual leave
- 3.36 per cent for death benefits

133. For 31 December 2014, the single equivalent discount rates were selected and determined by the Fund as follows:

- 3.50 per cent for the after-service health insurance scheme
- 3.42 per cent for repatriation benefits
- 3.45 per cent for annual leave
- 3.13 per cent for death benefits

134. For comparison purposes, the table below shows the percentage change based on a 1 per cent change in the discount rate.

	Impact on accrued liability			
Discount rate	*After-service health insurance*	*Repatriation benefit*	*Annual leave*	*Death benefit*
Increase of 1.0 per cent	18 per cent decrease	9 per cent decrease	8 per cent decrease	7 per cent decrease
Decrease of 1.0 per cent	24 per cent increase	10 per cent increase	10 per cent increase	7 per cent increase

135. In performing the roll-forward to 31 December 2014, only the financial assumptions such as the discount rates, inflation and health-care cost trend rates were reviewed as at 31 December 2014 and updated when necessary. All other assumptions remain the same as those used for the full valuation as at 31 December 2013.

136. A comparison of the health-care cost trend rates is as follows:

	31 December 2015	*31 December 2013*
Non-United States medical	4 per cent per year	5 per cent per year
United States medical — non-Medicare	6.4 per cent trending down to 4.5 per cent after 10 years	7.3 per cent trending down to 4.5 per cent after 10 years
United States medical — Medicare	5.9 per cent trending down to 4.5 per cent after 10 years	6.3 per cent trending down to 4.5 per cent after 10 years
United States dental	4.9 per cent trending down to 4.5 per cent after 10 years	5.0 per cent trending down to 4.5 per cent after 10 years

137. The decrease in the total after-service health insurance liabilities reported from 31 December 2014 to 31 December 2015 is primarily due to the impact of changing the actuarial assumptions, in particular the change in discount rates.

138. Other specific key assumptions used in the calculations are set out in the following paragraphs.

After-service health insurance

139. For 2015, 212 active staff were included in the calculation: 181 United States based and 31 non-United States based; 76 retired staff or their surviving spouses were included in the calculation: 64 United States based and 12 non-United States based. In addition, 18 active staff and two retirees or their surviving spouses that participate in dental-only plans were included. For active staff, the average age was 46 years with 10 years of service. The average age of retirees was 69 years.

140. For 2014, 208 active staff were included in the calculation: 177 United States based and 31 non-United States based; 70 retired staff or their surviving spouses were included in the calculation: 59 United States based and 11 non-United States based. In addition, two active staff and three retirees or their surviving spouses that participate in dental-only plans were included. For active staff, the average age was 45 years with 10 years of service. The average age of retirees was 68 years.

Repatriation benefits

141. Staff members who are appointed as international staff are eligible for the payment of a repatriation grant after one year of active service outside his or her country of nationality provided that the reason for separation is not summary dismissal or abandonment of post.

142. The amount ranges from 2 to 28 weeks of salary, depending on the category of employment and years of service of the eligible staff. Travel and shipment of personal effects may also be authorized to the recognized country of home leave.

143. For the year 2015, 65 eligible staff with an average annual salary of $84,336 were considered.

144. For the year 2014, 57 eligible staff with an average annual salary of $82,356 were considered.

Annual leave

145. Staff are entitled to accrue annual leave from the date of their appointment. Staff members who, upon separation from service, have accrued leave will be paid up to a maximum of 60 days if on a fixed-term appointment or up to 18 days on a temporary appointment. The payment amount is calculated at 1/261 of applicable salary amounts for each unused annual leave day.

146. For the year 2015, 241 active staff with an average annual salary of $101,712 were considered.

147. For the year 2014, 239 active staff with an average annual salary of $98,808 were considered.

Note 12
Other accruals and liabilities

148. The amounts shown as other accruals and liabilities in the financial statements can be broken down as follows:

	31 December 2015	*31 December 2014*
After-service health insurance payable to member organizations	–[a]	5 746
Restoration payable	2 876	2 584
United Nations payable	–	8 849
Operating leases rent accrual	2 593	2 925
Audit fee accrual	194	194
Accruals for management fees and expenses	6 235	5 071
Other	740	1 593
Total	**12 638**	**26 962**

[a] Balance rounded to nil.

Note 13
Investment (loss)/income

149. The following table summarizes the Fund's income from investments net of transaction costs, recognized during the period. Any transaction cost which can be allocated to a single transaction or trade is netted off against investment income. Examples are broker commissions, other transaction costs and management fees. Any management expense charged to the income statement of a real asset or alternative fund was recorded separately as management expenses in the Fund's statement of changes in net assets and included under transaction costs.

150. In some jurisdictions, the Fund receives dividend income, interest income and real estate income without any withholding tax. This is primarily a result of the fact that pension funds are exempt from withholding taxes in many jurisdictions. However, a number of jurisdictions do not provide this benefit to all pension funds, but recognize that the United Nations Joint Staff Pension Fund is part of the United nations and hence exempt from national taxation of Member States on its direct investments in accordance with Article 105 of the Charter and with article II,

section 7 (a) of the 1946 Convention on the Privileges and Immunities of the United Nations (see also note 3.3). The Fund is not able to reliably measure the value of the additional tax exemption obtained by being part of the United Nations and therefore does not disclose the value of this additional benefit on the face of the statement of changes in net assets available for benefits as non-exchange income in accordance with IPSAS 23, Revenue from non-exchange transactions.

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Change in fair value for assets designated at fair value		
Short-term investments	(7 181)	44
Equities	(255 864)	1 792 027
Fixed income	(205 016)	236 934
Real asset investments	399 784	360 048
Alternative investments	50 151	99 014
Total change in fair value for financial assets designated at fair value	**(18 126)**	**2 488 067**
Interest income		
Interest income on cash and cash equivalents	2 515	2 576
Interest income on fixed income instruments	353 038	372 517
Total interest income	**355 553**	**375 093**
Dividend income	777 863	845 069
Total dividend income	**777 863**	**845 069**
Income from real assets	38 302	30 642
Total income from real assets	**38 302**	**30 642**
Changes in foreign exchange gain and losses	(1 487 401)	(1 955 144)
Net foreign exchange (losses)	**(1 487 401)**	**(1 955 144)**
Transaction costs		
Management fees and other related fees	(98 820)	(90 558)
Small capitalization fund management fees	(9 770)	(9 326)
Brokerage commissions	(11 410)	(17 674)
Other transaction costs	(4 454)	(7 346)
Total transaction costs	**(124 454)**	**(124 904)**
Net investment (loss)/income	**(458 263)**	**1 658 823**

151. The change in foreign exchange gains and losses includes $751.4 million (2014: $213.8 million) realized foreign exchange loss and $736.0 million (2014: $1,741.3 million) unrealized foreign exchange loss.

Note 14
Contributions

152. Contributions received in the period can be broken down as follows:

(Thousands of United States dollars)

	2015	*2014*
Contributions from participants		
Regular contributions	747 250	750 764
Contributions for validation	835	887
Contributions for restoration	3 054	4 940
	751 139	**756 591**
Contributions from member organizations		
Regular contributions	1 494 499	1 501 528
Contributions for validation	1 504	1 770
	1 496 003	**1 503 298**
Other contributions		
Contributions for participants transferred in under agreements	1 782	3 980
Receipts of excess actuarial value over regular contributions	207	43
Other contributions/adjustments	7 846	158
	9 835	**4 181**
Total	**2 256 977**	**2 264 070**

153. The contribution income varies based on changes in the number of participants, changes in the distribution of participants, changes in pensionable remuneration rates as a result of cost-of-living increases determined by the International Civil Service Commission and the yearly step-increase to individual pensionable remuneration received by all participants.

Note 15
Other income

154. Other income earned during the period can be broken down as follows:

	2015	*2014*
Class action proceeds	4 351	1 197
Notional interest income	3 916	571
United Nations University management fees	50	50
Other claims	214	114
Total other income for the period	**8 531**	**1 932**

Note 16
Benefit payments

155. Benefit payments in the period can be broken down as follows:

(Thousands of United States dollars)

	2015	*2014*
Withdrawal settlements and full commutation of benefits		
For contributory services of five years or less	49 961	45 549
For contributory service of more than five years	88 990	75 464
	138 951	**121 013**
Retirement benefits		
Full retirement benefits	1 192 463	1 220 615
Early retirement benefits	622 854	667 300
Deferred retirement benefits	90 020	90 954
Disability benefits	63 290	63 300
Survivor benefits	228 027	232 082
Child benefits	25 765	26 296
	2 222 419	**2 300 547**
Other benefits/adjustments		
Payments for participants transferred out under agreements	141	977
Other benefits/adjustments	(380)	(652)
	(239)	**325**
Total benefit payments for the period	**2 361 131**	**2 421 885**

Note 17
Administrative expenses

156. Expenses incurred in 2015 and 2014 are as follows:

(Thousands of United States dollars)

	2015				
	Administrative expenses	*Investment expenses*	*Audit fees*	*Board expenses*	*Total*
Established posts (excluding change in the value of the after-service health insurance liability)	13 219	9 901	–	–	23 120
Change in the value of the after-service health insurance liability	(4 166)	(1 305)	(108)	–	(5 579)
Other staff costs	1 988	480	–	–	2 468
Consultants	284	629	–	–	913
Travel	368	579	–	–	947
Training	52	27	–	–	79

	2015				
	Administrative expenses	*Investment expenses*	*Audit fees*	*Board expenses*	*Total*
Contractual services	8 684	15 810	–	–	24 494
Hospitality	–	2	–	–	2
General operating expenses	4 740	3 534	–	–	8 274
Supplies and materials	34	25	–	–	59
Furniture and equipment	578	204	–	–	782
Audit costs (excluding change in the value of the after-service health insurance liability)	–	–	1 006	–	1 006
Board expenses	–	–	–	104	104
Total	**25 781**	**29 886**	**898**	**104**	**56 669**

(Thousands of United States dollars)

	2014				
	Administrative expenses	*Investment expenses*	*Audit fees*	*Board expenses*	*Total*
Established posts (excluding change in the value of the after-service health insurance liability)	17 601	10 074	–	–	27 675
Change in the value of the after-service health insurance liability	13 101	4 105	337	–	17 543
Other staff costs	2 071	718	–	–	2 789
Consultants	65	140	–	–	205
Travel	591	584	–	–	1 175
Training	78	68	–	–	146
Contractual services	6 367	18 023	–	–	24 390
Hospitality	1	20	–	–	21
General operating expenses	4 660	2 706	–	–	7 366
Supplies and materials	50	46	–	–	96
Furniture and equipment	605	83	–	–	688
Audit costs (excluding change in the value of the after-service health insurance liability)	–	–	1 102	–	1 102
Board expenses	–	–	–	125	125
Total	**45 190**	**36 567**	**1 439**	**125**	**83 321**

Note 18
Other expenses

157. Other expenses incurred during the period can be broken down as follows:

(Thousands of United States dollars)

	2015	*2014*
Emergency fund expense	35	39
Notional interest expense	2 175	3 279
Other expenses and claims	1 007	547
Total	**3 217**	**3 865**

Note 19
Actuarial situation of the Fund

(see also note 1.5)

158. The Fund provides retirement, death, disability and related benefits for staff of the United Nations and other organizations admitted to membership in the Fund. Accumulated (promised) plan benefits represent the total actuarial present value of those estimated future benefits that are attributable under the Fund's provisions to the service that staff have rendered as at the valuation date. Accumulated plan benefits include benefits to be paid to: (a) retired or terminated staff or their beneficiaries; (b) beneficiaries of staff who have died; and (c) present staff or their beneficiaries.

159. Benefits payable under all circumstances — retirement, death, disability and termination of employment — are included to the extent they are deemed attributable to service staff have rendered as at the valuation date.

160. The actuarial present value of accumulated (promised) plan benefits (which does not take into account future increases in pensionable remuneration) is determined by independent actuaries and the amount is derived by applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

161. The Fund is applying the guidance included in IAS 26.28 (b) and discloses the actuarial present value of promised retirement benefits in the notes to its financial statements.

Key assumptions

162. The significant actuarial assumptions used in the valuation as at 31 December 2015 were:

- Life expectancy of participants (2007 United Nations mortality tables adjusted for forecast improvements in mortality)
- Age-specific retirement and turnover assumptions
- Annual investment return of 6.5 per cent, which serves as the discount rate for liabilities
- Annual rate of 3 per cent for cost-of-living increases in pensions

163. These key assumptions were recommended by the Committee of Actuaries and adopted by the Pension Board at its sixty-second session, in July 2015. The foregoing actuarial assumptions are based on the presumption that the Fund will continue. Were the Fund to be terminated, different actuarial assumptions and other factors may be applicable in determining the actuarial present value of accumulated plan benefits. The actuarial present value of accumulated plan benefits as at 31 December 2015 shown in the present disclosure is rolled forward using standard actuarial techniques based on the 31 December 2013 valuation results and assumes that all economic and demographic assumptions will have been exactly met from 31 December 2013 onwards.

Statement of accumulated benefits

164. The actuarial present value of accumulated plan benefits as at 31 December 2015 is as follows (see note 1.11 for a description of the pension adjustment system):

(Millions of United States dollars)

	If future pension payments are made	
	Under the regulations without pension adjustments	*Under the regulations with pension adjustments*
Actuarial value of vested benefits		
Participants currently receiving benefits	22 941.3	32 839.4
Vested terminated participants	238.8	411.6
Active participants	12 637.9	18 694.8
Total vested benefits	**35 818.0**	**51 945.8**
Non-vested benefits	1 279.2	1 589.5
Total actuarial present value of accumulated plan benefits	**37 097.2**	**53 535.3**

Information on participation in the Pension Fund

165. The last valuation was provided by the consulting actuaries as at 31 December 2013 based on participation as shown below.

	Value as at 31 December 2013
Active participants	
Number	120 294
Annual remuneration (in millions of United States dollars)	10 375
Average remuneration (in United States dollars)	86 245
Retired participants and beneficiaries	
Number	69 980
Annual benefit (in millions of United States dollars)	2 050
Average benefit (in United States dollars)	**29 292**

Note 20
Commitments and contingencies

20.1 Investment commitments

166. As at 31 December 2015 and 31 December 2014, the Fund was committed to the following:

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Real estate funds	1 393 425	1 255 001
Private equity	1 683 823	1 701 742
Infrastructure funds	115 468	151 566
Timberland funds	60 020	60 108
Total	**3 252 736**	**3 168 417**

167. In the private equity, real estate, infrastructure and timberland investments, funds are drawn down in accordance with the terms and conditions of the fund agreements. The fund agreements are unique to each individual investment. However, funds are drawn down to: (a) fund investments in assets that have been purchased or are being contracted for purchase; and (b) pay fees earned by the general partner or manager under the terms and conditions of the fund agreement.

20.2 Lease commitments

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Obligations for property leases		
Under 1 year	6 738	5 557
1-5 years	23 339	20 400
Beyond 5 years	–	4 311
Total	**30 077**	**30 268**

20.3 Legal or contingent liabilities and contingent assets

168. There are no material contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to the Pension Fund.

169. Contingent assets are excluded from the statement of net assets available for benefits on the basis that the inflow of economic benefits is not virtually certain but reliant on the occurrence of an event outside of the control of the Fund. As at 31 December 2015, a contingent asset existed in relation to a claim by the Fund for the reimbursement of certain transaction costs in France of $3.98 million. There were no contingent assets as at 31 December 2014.

Note 21
Risk assessment

170. The Fund's activities expose it to a variety of financial risks including, but not limited to, credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk).

171. The Fund's investment risk management programme seeks to measure and monitor the risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance, consistent with the Fund's strategic asset allocation policy. The Investments Committee provides advice to the Representative of the Secretary-General on investment strategy and reviews the investments of the Fund at its quarterly meetings. The Committee advises on long-term policy, asset allocation and strategy, diversification by type of investment, currency and economic sector and any other matters.

172. The Fund uses different methods to measure, monitor and manage the various types of financial risk to which it is exposed. These methods are explained below.

21.1 Credit risk

173. Credit risk is defined as the potential risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms, resulting in a loss. The risk of a trading partner not fulfilling its obligations to another in a timely manner is a risk that all obligees face. Ensuring adequate control over credit risk and effective risk management is critical to the long-term sustainability of the Fund. The Fund manages risk by addressing the following important areas:

- Approving and maintaining appropriate credit exposure measurement and monitoring standards
- Establishing limits for amounts and concentrations of credit risk, and monitoring and implementing a review process for credit exposure
- Ensuring adequate controls over credit risk

174. The Fund is primarily exposed to credit risk in its debt securities (total fixed income, and short-term bills and notes). The Fund's policy to manage this risk is to invest in debt securities that have an investment grade rating by at least one of the following well-known credit rating agencies: Standard & Poor's, Moody's and Fitch. For purposes of consistency in the present disclosure, the Fund used Moody's Investors Service, which provided ratings on most of the Fund's debt securities in 2015. As at 31 December 2015, 87 per cent (2014: 87 per cent) of the fixed income portfolio was rated between Aaa and A3 by Moody's.

175. The analysis below summarizes the credit quality of the Fund's fixed income portfolio as at 31 December 2015 and 31 December 2014, respectively, as provided by Moody's.

(Thousands of United States dollars)

	Aaa-A3	*Baa1-Baa3*	*Not rated*	*Total (as at 31 December 2015)*
Commercial mortgage-backed	67 079	–	48 419	115 498
Corporate bonds	2 883 044	704 106	75 166	3 662 316
Funds — corporate bond	–	–	44 150	44 150
Government agencies	2 321 741	–	6 460	2 328 201
Government bonds	4 948 713	271 814	342 073	5 562 600
Government mortgage-backed	–	–	74 874	74 874
Index-linked government bonds	155 168	–	–	155 168
Municipal/provincial bonds	494 231	–	43 473	537 704
Non-government-backed collateralized mortgage obligations	4 592	–	–	4 592
Total fixed income	**10 874 568**	**975 920**	**634 615**	**12 485 103**
Short-term bills and notes	–	–	534 952	534 952

(Thousands of United States dollars)

	Aaa-A3	*Baa1-Baa3*	*Not rated*	*Total (as at 31 December 2014)*
Commercial mortgage-backed	84 584	–	52 987	137 571
Corporate bonds	2 641 080	685 784	170 092	3 496 956
Funds — corporate bond	–	–	46 295	46 295
Government agencies	2 145 150	–	7 830	2 152 980
Government bonds	5 558 032	69 447	334 603	5 962 082
Government mortgage-backed	–	–	101 758	101 758
Index-linked government bonds	317 732	48 078	62 071	427 881
Municipal/provincial bonds	460 444	–	36 791	497 235
Non-government-backed collateralized mortgage obligations	7 428	–	–	7 428
Total fixed income	**11 214 450**	**803 309**	**812 427**	**12 830 186**
Short-term bills and notes	–	–	–	–

176. Of the unrated fixed income securities totalling $634.6 million as at 31 December 2015, $494.8 million were in debt securities that present a very low credit risk as they carry an issuer's credit rating of investment grade, thereby providing evidence of their creditworthiness. Of the remaining unrated debt securities amounting to $139.8 million for which no issuer rating was available by Moody's, six debt securities, amounting to $95.7 million, were rated investment grade by at least one of the other two rating agencies (Standard & Poor's and Fitch), and another security, amounting to $44.1 million, was a bond fund and as such was not evaluated by a credit rating agency.

177. Of the unrated fixed income securities totalling $812.4 million as at 31 December 2014, $703.0 million were in debt securities that present a very low credit risk as they carry an issuer's credit rating of investment grade, thereby providing evidence of their creditworthiness. Of the remaining unrated debt securities amounting to $109.4 million for which no issuer rating was available by Moody's, three debt securities, amounting to $63.1 million, were rated investment grade by at least one of the other two rating agencies (Standard & Poor's and Fitch), and another security, amounting to $46.3 million, was a bond fund and as such was not evaluated by a credit rating agency.

178. All transactions in listed securities are paid for upon delivery using approved brokers. Settlement risk is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

21.2 Liquidity risk

179. Liquidity risk is the risk of not meeting cash requirements for the Fund's obligations. Cash requirements can arise from settlement needs for various investment trades, capital calls from uncalled or unfunded commitments, and benefit payment disbursements in various currencies. The Fund manages its liquidity risk by investing the vast majority of its investments in liquid securities.

21.3 Market risk

180. Market risk is the risk of change in the value of plan assets due to various market factor movements such as interest rates, major market index movements, currency exchange rates and market volatility. The Fund has adopted value at risk as a parameter to measure market risk, in addition to standard deviation and tracking risk. Value at risk is a universally accepted parameter to communicate market risk for financial institutions and asset management institutions. The Fund also includes risk tolerance for investment risks in the investment policy approved by the Representative of the Secretary-General. Based on this risk tolerance, a risk budget has been assigned to each portfolio manager. The risk budget is modified once a year.

181. Value at risk (VaR), as a single number, summarizes the portfolio's exposure to market risk as well as the probability of an adverse move, or in other words, level of risk. The main purpose of value at risk is to assess market risks that result from changes in market prices. There are three key characteristics of value at risk: (a) the amount (in percentage or dollar terms); (b) the time horizon (in this case, one year); and (c) the confidence level (in this case, 95 per cent). When reported as 95 per cent confidence, the VaR 95 number (in percentage or in dollar terms) indicates that there is a 95 per cent chance that portfolio losses will not exceed the given VaR 95 number (in percentage or dollar terms) over a year. In addition, the Fund reports tail risk or expected shortfall, which measures the average expected loss for the 5 per cent of the time when the losses exceed VaR 95. The Fund also reports contribution to risk. Considering the risk of the whole Fund as 100 per cent, contribution to risk indicates how much of the risk is contributed by that asset class. Contribution to risk is additive (all contributions will add up to 100 per cent). VaR 95 is not additive owing to the diversification effect.

182. The table below depicts four important aspects of risk. It shows volatility or standard deviation in percentage, followed by VaR 95 for the given portfolio in percentage terms. Contribution to risk indicates how much each asset class contributes to the total Fund risk. Clearly, total Fund risk is 100 per cent and each of the asset classes below indicates the contribution to the risk. Expected shortfall at 5 per cent (because the Fund is indicating VaR at 95 per cent), indicates average value or expected value of losses for the 5 per cent of the times when losses exceed VaR 95.

183. All numbers in the chart below are annualized using historical simulation.

(Percentage)

	2015			
Asset class	*Volatility (standard deviation)*	*VaR (95 per cent)*	*Contribution to risk*	*Expected shortfall (5 per cent)*
Total fund	7.64	12.00	100.00	18.04
Total equity	10.51	17.30	87.03	24.86
Minimum volatility equity	9.97	16.13	1.43	23.72
Fixed income	3.56	6.04	0.73	8.77
Cash and short term	1.48	2.56	0.18	3.51
Real estate	14.30	22.42	6.81	31.31
Private equity	13.77	22.48	3.27	31.54
Commodities	11.94	20.91	0.10	28.64
Infrastructure	13.59	22.56	0.30	31.42
Risk parity	12.82	21.93	1.58	30.98

Note: Figures are reported from MSCI RiskMetrics as at 1 January 2016.

(Percentage)

	2014			
Asset class	*Volatility (standard deviation)*	*VaR (95 per cent)*	*Contribution to risk*	*Expected shortfall (5 per cent)*
Total fund	7.72	12.80	100.00	17.42
Total equity	10.34	17.37	84.19	23.42
Minimum volatility equity	8.74	15.03	1.46	18.92
Fixed income	3.34	5.42	3.68	7.66
Cash and short term	3.14	5.13	0.88	7.01
Real assets	13.25	20.30	5.22	27.71
Private equity	14.78	23.51	2.60	33.52
Commodities	11.22	18.59	0.17	26.21
Infrastructure	14.28	22.62	0.22	31.13
Risk parity	12.45	21.49	1.58	27.51

Note: Figures are reported from MSCI RiskMetrics as at 2 January 2015.

Price risk

184. The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments, for example, equity securities, are denominated in currencies other than the United States dollar, the price is initially expressed in the non-United States dollar denominated currency and is then converted into United States dollars, which will also fluctuate because of changes in currency exchange rates.

185. At 31 December 2015 and 31 December 2014, the fair value of equities exposed to price risk was as follows:

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
Common and preferred stock	29 752 374	30 437 211
Funds — exchange traded funds	2 329 996	2 392 095
Real estate investment trusts	219 421	547 048
Funds — common stock	165 279	214 878
Stapled securities	34 274	25 687
Total equity instruments	**32 501 344**	**33 616 919**

186. Considering the total Fund risk as 100 per cent, the contribution to risk due to price risk is 93.20 per cent (2014: 87.60 per cent). For the total price risk, equities contributed 87.7 per cent (2014: 88.74 per cent) to the total Fund price risk and the rest is contributed by all other asset classes.

187. The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weights.

188. The Fund's equity investment portfolio by industrial sector in 2015 and 2014 was as follows:

(Percentage)

	As at 31 December 2015		*As at 31 December 2014*	
General industry classification standards	*Fund's equity portfolio*	*Benchmark*	*Fund's equity portfolio*	*Benchmark*
Financials	19.54	21.52	19.67	21.86
Information technology	14.99	14.87	14.38	13.85
Consumer discretionary	12.59	12.95	11.50	12.07
Energy	5.10	6.19	6.98	7.96
Health care	13.32	12.52	12.16	11.59
Industrials	8.56	10.30	9.65	10.49
Consumer staples	8.67	10.23	8.34	9.70
Materials	3.87	4.53	5.32	5.36
Telecommunication services	3.10	3.72	2.78	3.74

	As at 31 December 2015		As at 31 December 2014	
General industry classification standards	*Fund's equity portfolio*	*Benchmark*	*Fund's equity portfolio*	*Benchmark*
Utilities	2.47	3.17	2.71	3.38
Other	7.79	–	6.51	–
Total	**100.00**	**100.00**	**100.00**	**100.00**

189. The following table analyses the Fund's concentration of equity price risk in the Fund's equity portfolio by geographical distribution (based on the counterparty's place of primary listing or, if not listed, place of domicile).

(Percentage)

	2015	*2014*
North America	57.1	57.4
Europe	20.7	19.9
Asia-Pacific	11.3	10.7
Emerging markets	8.4	9.7
International regions	2.5	2.3
Total	**100.0**	**100.0**

Currency risk

190. The Fund is one of the most globally diversified pension funds in the world and therefore holds both monetary and non-monetary assets denominated in currencies other than the United States dollar, the Fund's base currency. Currency exchange risk arises as the value of financial instruments denominated in other currencies fluctuates owing to changes in currency exchange rates. Management monitors the exposure to all currencies.

191. The Fund does not use hedging to manage its non-United States dollar denominated currency risk exposure, because the Fund expects currency impact to net out to zero over a full market cycle, as has been the case historically. Currency risk refers to risk due to foreign exchange rate changes.

192. The tables below illustrate the foreign exchange risk exposure of the Fund by class of investment. These summarize the Fund's cash and investments at fair value as at 31 December 2015 and 31 December 2014, respectively. Net financial assets amounting to $57.2 million in 2015 (2014: $20.7 million) not held at fair value (see note 5) are excluded from this table. Assets held in exchange-traded funds or externally managed specialty funds are included as United States dollar assets.

(Percentage)

	As at 31 December 2015						
Currency	*Equity*	*Fixed income*	*Real assets*	*Alternative and other investments*	*Short term*	*Cash*	*Total*
United States dollar	37.65	12.82	5.13	3.20	0.61	2.21	61.62
Euro	6.05	3.98	0.37	0.34	0.42	0.01	11.17
British pound sterling	3.96	1.24	0.18	–	–	0.35	5.73
Japanese yen	5.00	1.40	0.19	–	–	0.02	6.61
Canadian dollar	1.46	0.70	0.15	–	–	0.01	2.32
Australian dollar	1.24	0.75	0.18	–	–	0.01	2.18
Swiss franc	1.87	–	–	–	–	0.01	1.88
Hong Kong dollar	1.70	–	–	–	–	0.01	1.71
Republic of Korea won	0.76	0.42	–	–	–	0.00	1.18
Polish zloty	0.00	1.03	–	–	–	0.00	1.03
Swedish krona	0.64	0.23	–	–	–	0.00	0.87
Mexican peso	0.19	0.56	–	–	–	0.17	0.92
Malaysian ringgit	0.11	0.30	–	–	–	0.03	0.44
Norwegian krone	0.02	0.38	–	–	–	0.00	0.40
Indian rupee	0.48	–	–	–	–	0.00	0.48
Singapore dollar	0.25	0.07	–	–	–	0.00	0.32
Brazilian real	0.15	0.00	–	–	–	0.00	0.15
South African rand	0.26	–	–	–	–	0.00	0.26
Danish krone	0.37	–	–	–	–	–	0.37
Turkish lira	0.07	–	–	–	–	0.03	0.10
Philippine peso	0.15	–	–	–	–	–	0.15
New Zealand dollar	0.00	0.10	–	–	–	0.01	0.11
Hungarian forint	0.00	–	–	–	–	–	0.00
Pakistan rupee	–	–	–	–	–	0.00	0.00
CFA franc	–	–	–	–	–	0.00	0.00
Total	**62.38**	**23.98**	**6.20**	**3.54**	**1.03**	**2.87**	**100.00**

(Percentage)

	As at 31 December 2014						
Currency	*Equity*	*Fixed income*	*Real assets*	*Alternative and other investments*	*Short term*	*Cash*	*Total*
United States dollar	38.17	12.63	4.27	2.65	–	1.91	59.62
Euro	5.78	4.11	0.36	0.24	–	0.01	10.50
British pound sterling	4.06	1.24	0.14	–	–	0.63	6.07
Japanese yen	4.54	0.50	0.15	–	–	0.05	5.24
Canadian dollar	1.96	0.88	0.17	–	–	0.12	3.13
Australian dollar	1.42	0.89	0.13	–	–	0.10	2.54
Swiss franc	1.97	–	–	–	–	0.01	1.98
Hong Kong dollar	1.59	–	–	–	–	0.05	1.64
Republic of Korea won	0.84	0.54	–	–	–	0.01	1.39
Polish zloty	0.03	1.15	–	–	–	0.08	1.26
Swedish krona	0.54	0.27	–	–	–	0.36	1.17
Mexican peso	0.22	0.66	–	–	–	0.15	1.03
Malaysian ringgit	0.19	0.46	–	–	–	0.13	0.78
Norwegian krone	0.02	0.61	–	–	–	0.04	0.67
Indian rupee	0.57	–	–	–	–	0.07	0.64
Singapore dollar	0.32	0.07	–	–	–	0.18	0.57
Brazilian real	0.41	0.12	–	–	–	0.03	0.56
South African rand	0.38	–	–	–	–	0.02	0.40
Danish krone	0.29	–	–	–	–	–	0.29
Turkish lira	0.13	–	–	–	–	0.04	0.17
Philippine peso	0.16	–	–	–	–	0.00	0.16
New Zealand dollar	0.01	0.12	–	–	–	0.02	0.15
Colombian peso	0.04	–	–	–	–	–	0.04
Hungarian forint	–	–	–	–	–	–	0.00
Total	**63.64**	**24.25**	**5.22**	**2.89**	–	**4.01**	**100.00**

Interest rate risk

193. Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows. The Fund holds fixed interest rate securities, floating rate debt, cash and cash equivalents that expose the Fund to interest rate risk.

194. The table below summarizes the Fund's relative sensitivity to interest rate changes versus its reference benchmark of the Barclays Global Aggregate Index. This measure of duration for the portfolio indicates the approximate percentage change in the value of the portfolio if interest rates change by 100 basis points.

(Percentage)

	2015		2014	
	Fund	*Benchmark*	*Fund*	*Benchmark*
Effective duration	3.65	6.60	3.69	6.50

195. Effective duration is the sensitivity to interest rates. This means if the interest rate goes up by 1 per cent, the Fund could lose 3.65 per cent compared with the benchmark, which could lose 6.60 per cent. This primarily arises from the increase/decrease in the fair value of fixed interest securities, with a small proportion arising from the decrease/increase in interest income on cash and cash equivalents.

Note 22
Budget information

22.1 Movement between original and final budgets

(Thousands of United States dollars)

	Initial appropriation 2015	*2014 budget balance carried forward*	*Approved increases/ decreases*	*Final appropriation 2015*
Administrative costs	42 324	(1 319)	2 768	43 773
Investment costs	42 472	2 828	(3 815)	41 485
Audit costs	1 280	24	(54)	1 250
Board expenses	205	62	–	267
Total	**86 281**	**1 595**	**(1 101)**	**86 775**

196. An explanation of the changes between the initial appropriation and the final appropriation for the biennium 2014-2015 can be found in paragraphs 4-40 of the report on the administrative expenses of the Pension Fund contained in document A/70/325. In its resolution 70/248 A (sect. VI, para. 22), the General Assembly approved the final appropriation for the administrative expenses of the Fund for the biennium 2014-2015.

22.2 Reconciliation between the actual amounts on a comparable basis and the statement of changes in net assets available for benefits

197. Differences between the actual amounts on a comparable basis with the budget and the actual amounts recognized in the financial statements can be classified as follows:

(a) Basis differences, which occur when the approved budget is prepared on a basis other than the accounting basis, as stated in note 3.14;

(b) Timing differences, which occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for the Pension Fund for the purposes of comparison of budget and actual amounts;

(c) Entity differences, which occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared. There are no entity differences for the Pension Fund.

	2015	*2014*
Actual amount on a comparable basis	**55 846**	**78 242**
Basis differences		
Asset additions/disposals	(6 974)	(3 744)
Depreciation, amortization and impairment	4 120	1 491
Unliquidated obligations	11 594	(14 020)
Prepayments	(407)	(63)
Employee benefits	(6 674)	20 668
Other accruals	(836)	747
Actual amount for administrative expenses in the statement of changes in net assets available for benefits	**56 669**	**83 321**

198. The above reconciliation illustrates key differences between total administrative expenditure on a budget basis (modified cash basis) and total expenditure on an IPSAS basis. The main differences can be categorized as follows:

- *Depreciation expense*. Fixed assets and intangible assets meeting the threshold for capitalization are capitalized and depreciated over their useful lives on an IPSAS basis. Only depreciation expense is recognized over the useful lives of the asset whereas the total expense is recognized on a budget basis at the time of acquisition.
- *Expense recognition*. On a budget basis expenditure is recognized at the time of disbursement or commitment as unliquidated obligations. Under IPSAS, expenses are recognized at the time goods or services have been received. Unliquidated obligations for goods or services not received or prepayments are not recognized as expense. Economic services received but not paid for are recognized as expense under IPSAS.
- *Employee benefits*. On a budget basis, employee benefit expenses are recognized when the benefit is paid. Under IPSAS, an expense for an employee benefit should be recognized in the period in which the benefit is earned, regardless of the time of payment. IPSAS therefore recognizes expenses for post-employment benefits such as after-service health insurance, annual leave and repatriation benefits.

Note 23
Funds under management

199. Funds under management are defined as other United Nations funds for which the Fund has engaged the services of external fund managers, independent of the Fund.

200. Pursuant to General Assembly resolution 2951 establishing the United Nations University and Assembly resolution 3081 and article IX of the charter of the University (A/9149/Add.2), the Investment Management Division provides oversight services for the investments of the United Nations University Endowment

Fund that are currently outsourced to Nikko Asset Management with a separate custodian bank. Formal arrangements between the Investment Management Division and the Endowment Fund regarding these services have not been agreed upon. Resulting funds are reflected in the accounts of the United Nations University. There is no commingling of investment funds with those of the United Nations Joint Staff Pension Fund, which are maintained separately. The costs of Investment Management Division management advisory fees amounting to $50,000 per year are reimbursed by the Endowment Fund to the Division and recorded as other income.

Note 24
Related party transactions

Key management personnel

201. Details of the remuneration to key management personnel by the Fund for the years ended 31 December 2015 and 31 December 2014 are as follows:

	Number of individuals	*Compensation and post adjustment*	*Entitlements*	*Pension and health plans*	*Total remuneration*	*Outstanding advances against entitlements*	*Outstanding loans*
		(Thousands of United States dollars)					
2015	5	848	67	192	1 107	–	–
2014	5	836	83	189	1 108	–	–

202. Key management personnel are the Chief Executive Officer, the Representative of the Secretary-General, the Deputy Chief Executive Officer, the Director of the Investment Management Division and the Chief Financial Officer as they have the authority and responsibility for planning, directing and controlling the activities of the Pension Fund.

203. The aggregate remuneration paid to key management personnel includes net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, costs of shipment of personal effect and employer pension and current health insurance contributions.

204. There were no outstanding advances against entitlements of key management personnel as at 31 December 2015.

205. Key management personnel are also qualified for post-employment benefits (see note 11) at the same level as other employees. The actuarial valuation of the benefits for the key management personnel are as follows:

(Thousands of United States dollars)

	31 December 2015	*31 December 2014*
After-service health insurance	1 095	1 507
Repatriation grant	78	111
Annual leave	105	202
Death benefit	2	3
Total	**1 280**	**1 823**

Other related parties

206. While no transactions occurred with the parties listed below, they are considered as related parties and a summary of the Fund's relationship with these parties is therefore provided.

General Assembly

207. The General Assembly is the highest legislative body for the Pension Fund. It reviews reports submitted by the Pension Board, approves the budget of the Fund, decides on admittance of new member organizations to the Fund and amends the Regulations of the Fund.

Twenty-three member organizations participating in the Fund

208. The member organizations of the Fund (which are international intergovernmental organizations) join the Fund by decision of the General Assembly and at the time of admission agree to adhere to the Regulations of the Fund. Each member organization has a staff pension committee and a secretary to the committee; the committees and their secretariat are an integral part of the Fund's administration.

United Nations International Computing Centre

209. The United Nations International Computing Centre was established in Geneva in 1971 as an inter-organizational facility, providing a wide range of information technology and communication services, on a cost recovery basis, to its users worldwide. The Centre is governed by a Management Committee representing the organizations to which the Centre provides services.

210. The role of the International Computing Centre is as follows:

- To provide information technology services on a full cost-recovery basis
- To assist in exploiting networking and computing technology
- To provide information management services
- To advise on questions related to information management
- To provide specialized training

Note 25
Subsequent events

211. At the time of issuance of the financial statements, the management of the Fund is not aware of any reportable event after the reporting date in accordance with IPSAS 14.

Annex to the notes to the financial statements

Statistics on the operations of the United Nations Joint Staff Pension Fund

Table 1
Number of participants

Member organization	*Participants as at 31 December 2014*	*New entrants*	*Transfers*		*Separations*	*Participants as at 31 December 2015*	*Percentage increase/(decrease)*
			In	*Out*			
United Nations[a]	84 475	7 635	370	403	5 197	86 880	2.8
International Labour Organization	3 693	375	29	26	311	3 760	1.8
Food and Agriculture Organization of the United Nations	9 558	897	155	152	396	10 062	5.3
United Nations Educational, Scientific and Cultural Organization	2 376	200	23	23	131	2 445	2.9
World Health Organization	10 091	1 029	128	134	578	10 536	4.4
International Civil Aviation Organization	769	69	2	4	49	787	2.3
World Meteorological Organization	327	43	5	8	17	350	7.0
International Atomic Energy Agency	2 517	233	33	20	97	2 666	5.9
International Maritime Organization	290	13	2	2	19	284	(2.1)
International Telecommunication Union	781	40	3	3	42	779	(0.3)
World Intellectual Property Organization	1 246	47	13	11	62	1 233	(1.0)
International Fund for Agricultural Development	560	50	14	15	31	578	3.2
International Centre for the Study of the Preservation and Restoration of Cultural Property	32	3	–	–	2	33	3.1
European and Mediterranean Plant Protection Organization	15	4	–	2	–	17	13.3
International Centre for Genetic Engineering and Biotechnology	177	4	–	–	10	171	(3.4)
United Nations World Tourism Organization	98	2	–	–	3	97	(1.0)
International Tribunal for the Law of the Sea	36	3	1	–	2	38	5.6
International Seabed Authority	30	5	1	1	2	33	10.0
United Nations Industrial Development Organization	713	30	4	8	42	697	(2.2)
International Criminal Court	958	57	55	26	40	1 004	4.8
Inter-Parliamentary Union	45	2	–	–	1	46	2.2
International Organization for Migration	3 536	598	23	18	215	3 924	11.0
Special Tribunal for Lebanon	436	57	15	20	16	472	8.3
Total	**122 759**	**11 396**	**876**	**876**	**7 263**	**126 892**	**3.4**

[a] United Nations Headquarters, regional offices and all funds and programmes.

Table 2
Benefits awarded to participants or their beneficiaries during the year ended 31 December 2015

Member organization	*Number of benefits awarded*											
				Withdrawal settlement								
	Retirement benefit	*Early retirement benefit*	*Deferred retirement benefit*	*Under 5 years*	*Over 5 years*	*Child benefit*	*Widow and widower benefit*	*Other death benefit*	*Disability benefit*	*Secondary dependent benefit*	*Transfer under agreement*	*Total*
United Nations[a]	772	322	112	2 056	1 462	775	66	20	43	1	1	5 630
International Labour Organization	58	25	5	179	34	35	4	–	2	–	1	343
Food and Agriculture Organization of the United Nations	96	47	8	159	73	71	5	1	4	1	–	465
United Nations Educational, Scientific and Cultural Organization	50	17	10	39	10	24	5	–	1	–	–	156
World Health Organization	148	47	40	254	77	144	8	3	5	–	–	726
International Civil Aviation Organization	8	5	3	25	3	10	1	–	3	–	–	58
World Meteorological Organization	10	–	–	6	–	–	–	–	–	–	1	17
International Atomic Energy Agency	41	14	4	27	8	16	4	–	1	–	–	115
International Maritime Organization	12	2	–	1	1	2	1	–	2	–	–	21
International Telecommunication Union	16	7	–	10	5	14	1	–	3	–	–	56
World Intellectual Property Organization	20	8	3	19	8	14	1	–	2	–	–	75
International Fund for Agricultural Development	9	2	2	8	1	8	1	–	–	–	–	31
International Centre for the Study of the Preservation and Restoration of Cultural Property	2	–	–	–	–	1	–	–	–	–	–	3
International Centre for Genetic Engineering and Biotechnology	5	1	1	1	1	–	–	1	–	–	–	10
United Nations World Tourism Organization	2	–	–	–	1	2	–	–	–	–	–	5
International Tribunal for the Law of the Sea	–	–	1	1	–	–	–	–	–	–	–	2
International Seabed Authority	–	–	–	–	2	–	–	–	–	–	–	2
United Nations Industrial Development Organization	14	9	1	6	1	1	1	–	4	–	–	37
International Criminal Court	3	–	4	19	10	8	1	–	–	–	–	45

Member organization	*Number of benefits awarded*											
				Withdrawal settlement								
	Retirement benefit	*Early retirement benefit*	*Deferred retirement benefit*	*Under 5 years*	*Over 5 years*	*Child benefit*	*Widow and widower benefit*	*Other death benefit*	*Disability benefit*	*Secondary dependent benefit*	*Transfer under agreement*	*Total*
Inter-Parliamentary Union	–	–	1	–	–	–	–	–	–	–	–	1
International Organization for Migration	14	3	2	141	58	4	1	–	–	–	–	223
Special Tribunal for Lebanon	–	–	–	13	3	–	–	–	–	–	–	16
Total	**1 280**	**509**	**197**	**2 964**	**1 758**	**1 129**	**100**	**25**	**70**	**2**	**3**	**8 037**

[a] United Nations Headquarters, regional offices and all funds and programmes.

Table 3
Analysis of periodic benefits for the year ended 31 December 2015

Type of benefit	*Total as at 31 December 2014*	*New*	*Benefits discontinued, resulting in award of survivor's benefit*	*All other benefits discontinued*	*Pre-IPAS discontinued benefits recognized at IPAS conversion*[a]	*Total as at 31 December 2015*
Retirement	**26 217**	**1 279**	**(207)**	**(406)**	**(608)**	**26 275**
Early retirement	**15 746**	**509**	**(130)**	**(211)**	**(389)**	**15 525**
Deferred retirement	**7 673**	**198**	**(30)**	**(108)**	**(197)**	**7 536**
Widow	**11 233**	**80**	**354**	**(314)**	**(510)**	**10 843**
Widower	**923**	**20**	**25**	**(29)**	**(38)**	**901**
Disability	**1 410**	**70**	**(12)**	**(25)**	**(34)**	**1 409**
Child	**9 124**	**1 129**	**–**	**(1 258)**	**(48)**	**8 947**
Secondary dependent	**41**	**2**	**–**	**(3)**	**(2)**	**38**
Total	**72 367**	**3 287**	**–**	**(2 354)**	**(1 826)**	**71 474**

[a] **The numbers for the column represent pre-IPAS discontinued benefits that were not finalized in the Fund's legacy system. These discontinued benefits were recognized upon the IPAS conversion in 201 under the new approach of identifying such cases immediately at discontinuation of the benefits. Without the effect of these adjustments, the total number of periodic benefits increased by 1.3 per cent for the year ended 31 December 2015.**

***Abbreviation*: IPAS, integrated pension administration system.**

Annex VIII

Financial rules of the United Nations Joint Staff Pension Fund

Section A
General provisions

Applicability and authority

A.1 These financial rules are promulgated by the Board in accordance with article 4 (b) of the Regulations of the Fund with effect from 1 January 2017. Subject to the provisions of the Regulations of the Fund and to resolutions and decisions of the General Assembly pertaining to the financial operations of the Fund, these financial rules shall govern the financial management and administration of the Fund and should be read in conjunction with the Administrative Rules. In regard to any matter not specifically covered by these rules, the appropriate provisions of the Financial Regulations and Rules of the United Nations shall, mutatis mutandis, apply.

A.2 The Chief Executive Officer may issue or revise from time to time such specific written procedures and forms as are necessary for the financial management of the Fund in accordance with the Regulations of the Fund and the Administrative Rules, including these financial rules.

A.3 If in applying or ensuring the observance of these financial rules or in issuing or revising procedures or forms necessary for the financial administration of the Fund any action by the Chief Executive Officer concerns, or is likely to concern, the responsibility of the Secretary-General under article 19 of the Regulations of the Fund to decide upon the investment of the assets of the Fund, the Chief Executive Officer shall consult with the Secretary-General or the Representative of the Secretary-General before any such action is taken and concerning what appropriate action should be taken. In such cases, the Chief Executive Officer shall take no such action without the prior concurrence of the Representative of the Secretary-General.

A.4 The Chief Executive Officer may delegate, by written instruction, authority for specified aspects of these financial rules to other officials of the Fund or, in the case of common services provided by the United Nations, to designate in writing, officials of the United Nations Secretariat. Such administrative instructions will state whether the delegated official may assign aspects of this authority to other officials.

A.5 In the application of these financial rules, officials of the Fund shall be guided by the principles of effective and efficient financial management and the exercise of economy.

Amendments

A.6 These financial rules may only be amended by the Board in accordance with articles 4 and 49 of the Regulations of the Fund. Any amendment to Section H — Auditing — External audit or amendment to any other section on any matter concerning external audit shall be made with the agreement of the United Nations Board of Auditors in accordance with article 14 (b) of the Regulations of the Fund.

Definitions

A.7 In the interpretation and application of these financial rules, the definitions set out in article 1 of the Regulations of the Fund and the following definitions shall apply:

(a) "Advisory Committee" shall mean the Advisory Committee on Administrative and Budgetary Questions of the General Assembly of the United Nations;

(b) "Assets of the Fund" shall mean all amounts derived from the sources set forth in article 17 of the Regulations of the Fund;

(c) "Audit Committee" shall mean the Audit Committee of the Board;

(d) "Chief Executive Officer" shall mean the Chief Executive Officer of the Fund appointed in accordance with article 7 of the Regulations of the Fund;

(e) "Chief Financial Officer" shall mean the Chief Financial Officer of the Fund appointed in accordance with article 7 of the Regulations of the Fund;

(f) "Deficiency payment" shall mean the sum payable by member organizations to the Fund in accordance with article 26 (a) of the Regulations of the Fund;

(g) "Financial rules" shall mean the present financial rules of the United Nations Joint Staff Pension Fund;

(h) "Regulations of the Fund" shall mean the Regulations of the United Nations Joint Staff Pension Fund;

(i) "IFRS" shall mean the International Financial Reporting Standards;

(j) "IPSAS" shall mean the International Public Sector Accounting Standards;

(k) "Officials of the Fund" shall mean the Chief Executive Officer, the Deputy Chief Executive Officer, the Representative of the Secretary-General and all other staff of the Fund as are required by the Board and appointed in accordance with article 7 (b) of the Regulations of the Fund, and secretaries of staff pension committees of the member organizations of the Fund appointed in accordance with article 8 (b) of the Regulations of the Fund;

(l) "Participant" shall have the meaning set forth in articles 1 and 21 of the Regulations of the Fund and in section B of the Administrative Rules of the Fund;

(m) "Representative of the Secretary-General" shall mean the Representative of the Secretary-General for the Investment of the Assets of the Fund appointed by the Secretary-General in accordance with General Assembly resolution 68/247 B of 9 April 2014.

Section B
Contributions

Contributions and records by member organizations

B.1 Each member organization shall submit summary contribution statements and remit contributions to the secretariat of the Fund on a monthly basis in accordance with the Regulations of the Fund and section D of the Administrative Rules of the Fund. Each member organization shall maintain an individual record for each of its participants in the Fund specifying all information required to be maintained by the member organization in accordance with the Regulations and Administrative Rules of the Fund. In addition to any other required information, such record shall specify, in particular, the contributions collected from and made by the member organization in respect of each such participant and paid to the Fund in accordance with the prevailing scales of pensionable remuneration applicable to the current financial year. By 31 January of each calendar year, each member organization shall submit to the Fund records for each of its participants for the preceding financial year.

Section C
Payment of benefits and other utilization of funds

Expenditures

C.1 The assets of the Fund shall be expended to meet the Fund's liabilities to pay benefits due in accordance with the Regulations of the Fund, the Administrative Rules, including the present financial rules, the pension adjustment system of the Fund or the terms and conditions approved by the Board for the use of the Emergency Fund of the United Nations Joint Staff Pension Fund.

C.2 The assets of the Fund shall also be expended to meet the administrative expenses of the Fund incurred in accordance article 15 (a) of the Regulations of the Fund.

C.3 Without the express authorization of the Board, the assets of the Fund may not be expended for purposes other than those specified in financial rules C.1 to C.2.

Certification and controls

C.4 The Chief Executive Officer and the Representative of the Secretary-General, within their respective authority under the Regulations of the Fund and in consultation with the Chief Financial Officer, are responsible for:

(a) Establishing procedures for ensuring that all payments and disbursements are properly payable on the basis of supporting documents for payments under the Regulations, Administrative Rules and pension adjustment system of the Fund, or are properly payable for services or goods actually received by the Fund in accordance with the terms of contract or other agreement governing the provision of such goods or services to the Fund;

(b) Designating the officials of the Fund who may receive money or assets, enter into commitments and make payments or disbursements on behalf of the Fund and, in the case of services provided to the Fund by the Secretariat of the United

Nations in accordance with section F of the present financial rules, designating the officials of the Secretariat of the United Nations, who may in turn delegate such responsibilities to Secretariat staff, who may receive money or assets, enter into commitments and make payments or disbursements on behalf of the Fund;

(c) Establishing and maintaining a system of internal controls designed to provide reasonable assurance regarding the reliability of financial reporting and assurance that the Fund's resources and assets are safeguarded in accordance with the Regulations of the Fund, the Administrative Rules and the present financial rules.

Authorization of entitlements and payment of benefits

C.5 The Chief Executive Officer shall be responsible for certifying all expenses of the Fund made pursuant to financial rule C.1. Utilization of funds for such certification requires prior authorization of the Chief Executive Officer in a form of the establishment of an entitlement and the payment of benefit.

Checks and balances

Authorization to establish an entitlement to a benefit

C.6 Notwithstanding bank signatory functions assigned in accordance with financial rules D.1 and D.2, the authorization of entitlements to benefits arising from contributory service as a participant in the Fund under the Regulations, Administrative Rules and pension adjustment system of the Fund require at least three authorizing signatures, in either conventional or electronic form.

C.7 Pursuant to financial rule C.6, the Chief Executive Officer shall designate one or more officials of the Fund to act under the authority of the Chief Executive Officer in the following capacities for the authorization to establish an entitlement to benefits:

(a) The verifying officer(s) will review the existence and measurement of an entitlement to a benefit. A verifying officer cannot exercise the certifying functions assigned in accordance with financial rule C.7 (c);

(b) The benefit officer(s) will "release" the existence and measurement of an entitlement to a benefit. A benefit officer cannot exercise the certifying functions assigned in accordance with financial rule C.7 (c);

(c) The certifying officer(s) will provide the final authorization to an entitlement to a benefit. A certifying officer cannot exercise the verifying functions, the releasing functions or the approving functions assigned in accordance with financial rules C.7 (a), C.7 (b) and C.9 (c), respectively.

Authorization to pay a benefit

C.8 Once the entitlement is established in accordance with financial rule C.7, payments against entitlements to benefits can be authorized. All benefits certified under financial rule C.7 (c) (including withdrawal settlements, lump sum or periodic arrear benefit payments as well as periodic benefit payments) must be approved for the execution of payments by a duly designated approving officer in accordance with financial rule C.9 (c). In addition, and notwithstanding bank signatory functions assigned in accordance with financial rules D.1 and D.2, the creation and updating of a periodic benefit payment in a monthly payroll as well as other payment processing require at least three authorizing signatures, in either conventional or electronic form.

C.9 Pursuant to financial rule C.8, the Chief Executive Officer shall designate one or more officials of the Fund to act under the authority of the Chief Executive Officer in the following capacities to authorize the payment of periodic benefits in a monthly payroll as well as other payment processing of any other benefits as follows:

(a) The payroll officer(s) will sign and release the periodic benefits scheduled for payment through the payroll process as well as one-time or ad hoc payments once they have ensured that payments are properly due. A payroll officer in the Payments Unit cannot exercise the certifying functions or the approving functions assigned in accordance with financial rules C.9 (b) and C.9 (c);

(b) The certifying officer(s) will sign and "certify" the batch payments of periodic benefits for a given payroll. A certifying officer cannot exercise the releasing functions or the approving functions assigned in accordance with financial rules C.9 (a) and C.9 (c);

(c) The approving officer(s) are designated to approve the execution of benefit payments (including withdrawal settlements, lump sum or periodic arrear benefit payments as well as payroll and one-time or ad hoc benefit payments) once they have ensured that entitlement to a benefit has been authorized and duly certified. An approving officer cannot exercise the certifying functions assigned in accordance with financial rule C.7 (c) or financial rule C.9 (b), or the bank signatory functions assigned in accordance with rule s D.1 and D.2.

C.10 The authority and responsibility for officials of the Fund designated in accordance with financial rule C.7 or C.9 is assigned on a personal basis and cannot be delegated. Such designated officials of the Fund must maintain detailed records and must be prepared to submit any supporting documents, explanations and justifications requested by the Chief Executive Officer.

Appropriations against the administrative budget

C.11 The assets of the Fund shall be expended to meet the administrative expenses of the Fund incurred as follows:

(a) Administrative expenses of the Fund may be incurred up to the amounts authorized by the Board and appropriated by the General Assembly therefor and only for the purposes so authorized and appropriated. No officials of the Fund shall transfer appropriations between the Fund secretariat part and the investment part of the Fund's administrative budget without approval by the Board and authorization by the General Assembly;

(b) Appropriations for such administrative expenses of the Fund shall be available for commitment during the budget period to which they relate and for 12 months thereafter if and to the extent that they are required to discharge commitments in respect of goods supplied and services rendered to the Fund during the budget period and to liquidate any other outstanding legal obligations incurred during the budget period;

(c) At the end of the budget period or the end of the 12-month period thereafter, as applicable, the remaining balance of any appropriations for the administrative expenses of the Fund that have been retained will be surrendered to the Fund, and if a commitment remains valid at the end of the 12-month period following the budget period, such commitment shall be cancelled and funded from the current appropriations for the administrative expenses of the Fund;

(d) The Chief Executive Officer or the Representative of the Secretary-General, within their respective administrative budgets, may enter into commitments of administrative expenses of the Fund for future budget periods provided that such commitments are for administrative activities that have been approved by the Board and authorized by the General Assembly and that are expected to continue beyond the end of the current budget period. All commitments of expenses for future budget periods shall be disclosed in a note to the Fund's financial statements in accordance with IPSAS, and such commitments shall constitute first charges against relevant appropriations made by the General Assembly.

Authorization for administrative expenses

C.12 The Chief Executive Officer and the Representative of the Secretary-General, within their respective administrative budgets, shall be responsible for certifying all administrative expenses of the Fund incurred in accordance with financial rule C.2. The utilization of all funds requires the prior authorization of the Chief Executive Officer or the Representative of the Secretary-General, as the case may be. Such authorization may take the form of (a) an allotment of funds or other authorization to incur commitments and expend specified funds for specified purposes during a specified period or (b) an authorization to employ staff against a staffing table approved by the Board and authorized by the General Assembly.

C.13 Notwithstanding bank signatory functions assigned in accordance with financial rules D.1 and D.2, all commitments, disbursements and expenses require at least two authorizing signatures, in either conventional or electronic form. Expenses recorded against an established, certified commitment do not require additional certification, provided that they do not exceed the amount committed by more than 10 per cent or 4,000 dollars, or its equivalent in other currencies, whichever is lower. Expenses that do not exceed 4,000 dollars, or its equivalent in other currencies, for which the recording of a commitment is unnecessary, require both certification and approval.

C.14 The Chief Executive Officer and the Representative of the Secretary-General, within their respective authority under the Regulations of the Fund and in consultation with the Chief Financial Officer, shall cooperate in order to designate as follows one or more officials of the Fund or, in the case of services provided to the Fund by the Secretariat of the United Nations in accordance with section F of the present financial rules, one or more officials of the Secretariat of the United Nations:

(a) The certifying officer(s) for the account(s) pertaining to a section or subsection of an approved budget for the administrative expenses of the Fund. Such certifying officers shall be responsible for managing the utilization of resources of the Fund in accordance with: (i) the Regulations of the Fund and the Administrative Rules, including these financial rules; (ii) the purposes for which resources, in particular resources for the administrative expenses of the Fund, were approved by the Board and authorized by the General Assembly; and (iii) the principles of efficiency and effectiveness;

(b) Approving officers acting under the authority of the Chief Executive Officer or the Representative of the Secretary-General, as the case may be, to approve the entry into the accounts of the Fund's administrative budget with respect to commitments, disbursements and expenses relating to contracts, agreements, purchase orders and other forms of undertaking after verifying that they are in order and have been certified by a duly designated certifying officer in accordance with financial rule C.14 (a). Such approving officers are also responsible for approving the making of payments once they have ensured that they are properly due, confirming that the necessary goods and services have been received by or on behalf of the Fund in accordance with the contract, agreement, purchase order or other form of undertaking by which they were ordered and, if the cost exceeds 4,000 dollars or its equivalent in other currencies, in accordance with the purpose for which the relevant financial commitment was established.

C.15 The designated certifying and approving officers must maintain detailed records and must be prepared to submit any supporting documents, explanations and justifications requested by the Chief Executive Officer, the Representative of the Secretary-General or the Chief Financial Officer, as appropriate.

C.16 Approving authority and responsibility under financial rule C.14 (a) cannot be exercised by the same person or persons exercising the certifying functions assigned in accordance with financial rule C.14 (b) or the bank signatory functions assigned in accordance with financial rules D.1 and D.2.

Administration of commitments

C.17 A commitment must be based on a formal contract, agreement, purchase order or other form of undertaking, or on a liability recognized by the Fund. All commitments must be supported by an appropriate commitment document.

C.18 Apart from the employment of staff as officials of the Fund against an authorized staffing table and consequential commitments under the Staff Regulations and Rules of the United Nations and any relevant understandings between the Fund's secretariat and the Secretariat, no undertaking, including by contract, agreement or purchase order, for an amount exceeding 4,000 dollars, or its equivalent in other currencies, shall be entered into until the appropriate credit(s) has (have) been reserved in the accounts of the Fund's administrative budget by the certifying officer. This shall be done through the recording of commitments against which relevant payments or disbursements may be made. A commitment shall remain open until such point as it is liquidated, cancelled or recommitted in accordance with financial rule C.2, as appropriate.

C.19 If, in the time that elapses between the establishment of a commitment and the processing of final payment, the cost of the relevant goods or services has increased by less than 4,000 dollars, or its equivalent in other currencies, or 10 per cent of the amount of commitment, whichever is lower, no change need be made to the amount of the original commitment. Otherwise, the original commitment shall be revised to reflect the increase in requirements and further certification is required. All increases in commitments shall be subject to the same procedures as apply to the incurring of original commitments.

C.20 Outstanding commitments shall be reviewed periodically by the responsible certifying officer(s). If a commitment is determined to be valid but cannot be liquidated during the period set forth in financial rule C.2, the provisions of financial rule C.2 shall, as appropriate, be applied. Commitments that are no longer valid shall be cancelled from the accounts forthwith and the resulting credit surrendered to the Fund. When any commitment previously recorded in the accounts of the Fund is, for any reason, reduced (other than by payment) or cancelled, the certifying officer shall accordingly ensure that appropriate adjustments are recorded in the accounts of the Fund.

Section D
Banking, custody and investment of the assets of the Fund

Designation of bank accounts

D.1 Except for bank accounts relating to the custody of the assets of the Fund designated by the Representative of the Secretary-General in accordance with financial rule D. 4, the Chief Executive Officer shall designate those banks in which the monies of the Fund shall be kept and shall establish all such official bank accounts required for the transaction of the Fund's activities. The Chief Executive Officer shall designate those Officials of the Fund to whom signatory authority is delegated for the operation of those bank accounts. The Chief Executive Officer shall also authorize all bank account closures except those relating to the custody of assets under rule D.4. The Fund's bank accounts shall be opened and operated in accordance with the following guidelines:

(a) Bank accounts shall be designated in the name of the United Nations for the benefit of the United Nations Joint Staff Pension Fund;

(b) All cash or other negotiable instruments held in such bank accounts shall be, as far as possible, held as assets in the name of the United Nations for the benefit of the Fund, and the relevant authority shall be notified that such bank accounts are exempt from all taxation;

(c) Banks shall be required to provide prompt statements;

(d) Two signatures, or their electronic equivalent, shall be required on all cheques and other withdrawal instructions, including electronic modes of payment;

(e) All banks shall be required to recognize that the Chief Executive Officer is authorized to receive, upon request or as promptly as is practicable, all information pertaining to official bank accounts of the Fund.

D.2 Bank signatory authority and responsibility, as designated by the Chief Executive Officer, shall be assigned on a personal basis and cannot be delegated by the official of the Fund so designated. Bank signatories cannot exercise the certifying or approving functions assigned in accordance with financial rules C.7 and C.9. Designated bank signatories must:

(a) Ensure that there are sufficient funds in the bank account when cheques and other payment instructions are presented for payment;

(b) Verify that all cheques and other payment instructions are made to the order of the named payee, are approved by an approving officer designated in accordance with financial rule C.9 (c) or C.14 (b) and are prepared in accordance with all applicable banking laws, regulations and standards;

(c) Ensure that cheques and other banking instruments are properly safeguarded and that when they are obsolete they are destroyed in accordance with financial rule G.8.

D.3 Without any exception, the Chief Financial Officer shall ensure that all financial transactions, including bank charges, fees and commissions, are reconciled with the information submitted by the Fund's banks. This reconciliation must be performed by officials of the Fund playing no actual part in the receipt or disbursement of funds.

Designation of custodians and the master record keeper

D.4 The Representative of the Secretary-General shall designate the banks or other depository institutions to serve as custodians in which the assets of the Fund shall be kept in trust in the name of the United Nations for the benefit of the United Nations Joint Staff Pension Fund and shall establish in such banks or other depository institutions such accounts as may be required for all transactions relating to the investment of the assets of the Fund.

D.5 The Representative of the Secretary-General shall designate a master record keeper to aggregate all relevant information concerning, to account for and to report to the Fund on all transactions relating to the investment of the assets of the Fund.

Currency exchange and liquidity

D.6 The Representative of the Secretary-General or officials of the Fund designated by the Representative of the Secretary-General shall be responsible for exchanging currencies required by the Fund or pertaining to the investment of the assets of the Fund. Officials of the Fund responsible for the operation of the Fund's bank accounts, other than assets held in the Fund's custody accounts, shall not be authorized to exchange one currency for another, except to the minimum extent necessary for the transaction of official business and for currency management. For the purposes of financial rules C.1 to C.3, the Chief Executive Officer and the Representative of the Secretary-General, together with the Chief Financial Officer, shall consult and agree on procedures for the proper management of currencies and exchanges thereof, and the Chief Executive Officer shall report on such consultations, as needed, to the Audit Committee.

D.7 The Chief Executive Officer and the Representative of the Secretary-General, together with the Chief Financial Officer, shall consult with one another and agree on the level of liquid funds in the form of cash or negotiable instruments that will be held in the Fund's bank accounts, except those relating to the custody of assets under rule D.4, to the extent required for the payment of the expenses of the Fund in accordance with financial rules C.1 to C.3, including such amounts as may be required for purposes of business continuity and disaster recovery. All other cash and negotiable instruments shall be made available to the Representative of the Secretary-General/Investment Management Division for investment.

Cash and disbursements

D.8 Petty cash advances and Cashier's Fund advances may be made only by and to officials of the Fund designated for this purpose by the Chief Executive Officer. The relevant accounts shall be maintained on an imprest system and the amount and purpose of each advance shall be defined by the Chief Executive Officer in consultation with the Representative of the Secretary-General and the Chief Financial Officer. The Chief Executive Officer may approve other cash advances as may be permitted by the Staff Regulations and Rules and administrative instructions of the United Nations and as the Chief Executive Officer may otherwise authorize. A payee's written receipt shall be obtained for all disbursements of cash advances. Officials of the Fund to whom cash advances are issued shall be held personally accountable and financially liable for the proper management and safekeeping of cash so advanced and must be in a position to account for these advances at all times. They shall submit monthly accounts unless otherwise directed by the Chief Executive Officer.

D.9 All disbursements made in accordance with financial rules C.1 to C.3 shall be made by electronic funds transfer, by wire transfer or by cheque except to the extent that cash disbursements are authorized by the Chief Executive Officer. Disbursements shall be recorded in the accounts of the Fund as at the date on which they are made.

Investment of the assets of the Fund

D.10 In accordance with article 19 (a) of the Regulations of the Fund, the Representative of the Secretary-General, acting under the authority of the Secretary-General, shall make and prudently manage the investment of the assets of the Fund.

D.11 In consultation with the Investments Committee and in light of observations and suggestions from the Board and criteria established by the General Assembly (safety, profitability, liquidity and convertibility), the Representative of the Secretary-General shall establish an investment policy as well as investment guidelines to ensure that investment decisions are taken in the best interest of the Fund on behalf of the participants and beneficiaries of the Fund.

D.12 All investment transactions, including the withdrawal of invested resources, shall require the authorization and signature of two Officials of the Fund designated for that purpose by the Representative of the Secretary-General.

D.13 Fees, commissions, or other similar amounts paid by the Fund on the authorization of the Representative of the Secretary-General to brokers or dealers in securities, to discretionary investment advisers or managers, or otherwise incurred on the authorization of the Representative of the Secretary-General in connection with a transaction carried out for the investment of the Assets of the Fund shall not constitute expenditures of the assets of the Fund within the meaning of financial rules C.1 to C.3. Rather, such amounts shall be regarded as constituting transactional costs relating to the investment of the Assets of the Fund and shall be accounted for by the Representative of the Secretary-General, in accordance with article 19 (b) of the

Regulations of the Fund, as elements of transactions regarding the investment of the assets of the Fund.

Accounting for investment of the assets of the Fund

D.14 The Representative of the Secretary-General shall maintain detailed accounts of all investments and other transactions relating to the Fund, which shall be open to examination by the Board.

Section E
Budgeting for administrative expenses

Presentation, content and methodology of the administrative budget

E.1 In accordance with article 15 (b) of the Regulations of the Fund, the Board shall submit to the General Assembly for approval biennial estimates of the expenses to be incurred in the administration of the Regulations. The proposed administrative budget for each budget period shall be prepared by the Chief Executive Officer in consultation with the Representative of the Secretary-General, who shall propose the resource requirements for the part of the administrative budget that concerns the activities and resources required for the investment of the assets of the Fund. The budget period for the proposed budget for the administrative expenses of the Fund shall consist of two consecutive calendar years, the first of which shall be an even year.

E.2 The Chief Executive Officer and the Representative of the Secretary-General, for their respective operations, shall decide on the content and resource allocation of the proposed budget for the administrative expenses of the Fund to be submitted to the Board for endorsement and to the General Assembly for approval. Budget proposals for the forthcoming budget period shall be prepared and submitted to the Board at such times, in such manner and in such detail as the Board may prescribe and shall be prepared, where applicable, in accordance with the methodology used by the Secretariat of the United Nations under the Financial Regulations and Rules of the United Nations and, as applicable, the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation (ST/SGB/2000/8).

E.3 The proposed budget for the administrative expenses of the Fund shall cover income and expenditures for the budget period to which it relates and shall be presented in United States dollars. Programme narratives shall set out the outputs, objectives and accomplishments expected during the budget period being presented. The proposed budget shall be preceded by a statement explaining the main changes made in the content of the activities being programmed and the volume of resources allocated to it in relation to the previous budget period. The proposed budget for the administrative expenses of the Fund shall be accompanied by a performance report on the actual versus planned administrative expenses of the Fund for the current budget period, together with such information, annexes and explanatory statements as may be requested by or on behalf of the Board and such further annexes or statements as the Chief Executive Officer, the Representative of the Secretary-General, or both may deem necessary and useful.

E.4 In accordance with article 15 (c) of the Regulations of the Fund, expenses incurred in the administration of the Regulations of the Fund by a member organization shall be met by that organization. As the secretariat of the Fund acts as the staff pension committee for the United Nations, the United Nations shall reimburse the Fund for the expenses it has incurred in providing services in that capacity. The amount of the expenditure and the level of reimbursement for the provision of such services shall be agreed upon between the Board and the General Assembly as part of the budget for the administrative expenses of the Fund.

Review and approval

E.5 In the second year of a budget period, the Chief Executive Officer and the Representative of the Secretary-General shall submit the proposed budget for the administrative expenses of the Fund for the following budget period to the Board for review and endorsement. The Board shall submit its proposed budget for the administrative expenses of the Fund to the General Assembly, through the Advisory Committee, which may make comments or recommendations.

E.6 In accordance with article 15 (b) of the Regulations of the Fund, the General Assembly shall, in the second year of a budget period, approve the budget for the administrative expenses of the Fund for the following budget period after consideration of the proposed budget for the administrative expenses of the Fund, endorsed by the Board, as well as the report of the Advisory Committee thereon.

E.7 The Chief Executive Officer and the Representative of the Secretary-General may prepare supplementary estimates of the administrative expenses of the Fund in a form consistent with the approved budget for the administrative expenses of the Fund and shall submit such supplementary estimates to the Board for approval. If approved by the Board, the Board shall transmit such supplementary estimates of the administrative expenses of the Fund to the General Assembly through the Advisory Committee, which shall review such supplementary estimates and report thereon.

Section F

Administrative services provided by the United Nations Secretariat

F.1 The Chief Executive Officer and the Representative of the Secretary-General, within their respective areas of authority, employ the services of the United Nations Secretariat and shall, within their respective areas of authority, designate officials of the Secretariat — who might in turn delegate such responsibilities to Secretariat staff — with authority to undertake certifying or approving authority in accordance with financial rule C.14 or to enter into commitments on behalf of the Fund. The Fund and the United Nations may specify with a written undertaking the manner of providing such services.

F.2 When undertaking services for the procurement of goods or services for the Fund or for the management of the property, plant and equipment of the Fund, such officials of the Secretariat of the United Nations shall act in accordance with the Financial Regulations and Rules of the United Nations and relevant administrative issuances and policies and procedures, provided that any such action does not contradict the Regulations of the Fund and the Administrative Rules, including the present financial rules.

Section G
Accounting

G.1 The Chief Executive Officer and the Representative of the Secretary-General shall be responsible for the accounts of the Fund within their respective authority under the Regulations of the Fund and shall establish accounting policies and systems for the accounts of the Fund in compliance with IPSAS and International Accounting Standard 26 (IAS 26). The Chief Financial Officer shall oversee the accounting policies and systems of the Fund to ensure consistency with IPSAS, IAS 26 and the Regulations and Administrative Rules of the Fund, including the present financial rules. The financial period for the accounts of the Fund shall be the calendar year.

G.2 Pursuant to article 14 (a) of the Regulations of the Fund, the financial statements of the Fund shall be reported annually in United States dollars in accordance with the Regulations of the Fund and the Administrative Rules, including the present financial rules, with decisions of the Board and the General Assembly and with IPSAS and IAS 26, "Accounting and reporting by retirement benefit plans", of the International Financial Reporting Standards. The financial statements of the Fund consist of the following:

(a) A statement of net assets available for benefits;

(b) A statement of changes in net assets available for benefits;

(c) A statement of cash flows;

(d) A statement showing a comparison of the Fund's administrative budget and actual amounts expended on the basis of the budget;

(e) A note disclosing the actuarial present value of defined retirement benefits, distinguishing between vested benefits and non-vested benefits;

(f) Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory notes.

G.3 All financial transactions of the Fund shall be recorded in the Fund's accounts on an accrual basis in compliance with IPSAS and IAS 26.

G.4 The financial statements shall be accompanied by a statement of internal control signed by the Chief Executive Officer and the Representative of the Secretary-General, in a form approved by them in consultation with the Audit Committee. The financial statements shall be certified by signature of the Chief Financial Officer of the Fund.

G.5 The annual financial statements of the Fund shall be transmitted to the Board of Auditors and to the Board following certification in accordance with financial rule G.4 and no later than four months following the end of the relevant financial period. The Board shall present the Fund's audited financial statements to the General Assembly through the Advisory Committee.

G.6 The accounts of the Fund shall be presented in United States dollars. Transactions may be recorded in both the transaction currency and the United States dollar. Non-United States dollar denominated currency transactions are translated using the spot exchange rate between the United States dollar and the non-United States dollar denominated currency at the date of the transaction. For the Fund's pension administration activity, the United Nations operational rate of exchange established in accordance with the Financial Regulations and Rules of the United Nations shall be used as the spot exchange rate for recording such transactions of the Fund, except for those instances when the use of an alternative rate of exchange is specified in the Regulations of the Fund, Rules and pension adjustment system. For the Fund's investment activity, commercial rates of exchange are used as the spot exchange rate. Receipts and payments in currencies other than the United States dollar shall be recorded at the spot exchange rate prevailing on the transaction date. Any difference between the actual amount of exchange and the amount that would have been obtained at the spot exchange rate shall be accounted for as loss or gain on exchange.

G.7 The Chief Executive Officer or the Representative of the Secretary-General, in respect of their areas of responsibility, may, after investigation, authorize the impairment of assets, including but not limited to receivables, property, plant and equipment, inventories and intangible assets, in accordance with IPSAS. The following statements shall be provided to the Board and to the Board of Auditors as a note accompanying the Fund's financial statements:

(a) Write-off of losses of assets, including cash, receivables and property, plant and equipment, inventories and intangible assets;

(b) Ex gratia payments;

(c) Cases of fraud and presumptive fraud.

G.8 Accounting and other financial records and all supporting documents shall be retained for established periods in accordance with policies established in accordance with financial rule G.1, after which, on approval of the Chief Executive Officer in consultation with the Chief Financial Officer, they may be destroyed.

Section H
Auditing

Internal audit

H.1 Subject to the approval of the General Assembly, the Board shall employ internal auditors to conduct independent internal audits of the Fund's accounts and operations in conformity with generally accepted auditing standards. The Office of Internal Oversight Services of the Secretariat shall perform the internal audit function with respect to the activities of the Secretary-General concerning the investment of the assets of the Fund in accordance with article 19 of the Regulations of the Fund. The Office of Internal Oversight Services conducts its internal audit activities in accordance with General Assembly resolution 48/218 B and regulation 5.15 of the Financial Regulations and Rules of the United Nations. The Fund's internal auditors shall review, evaluate and report on the use of financial

resources and on the effectiveness, adequacy and application of internal financial control systems, procedures and other relevant internal controls established in accordance with financial rules C.7, C.9 and C.14. Internal audits shall also assess the following elements:

(a) Compliance of the Fund's financial transactions with the Regulations, the Administrative Rules and the pension adjustment system of the Fund, or the terms and conditions approved by the Board for the use of the Emergency Fund of the United Nations Joint Staff Pension Fund, with any applicable decisions of the Board and the General Assembly, and with the recommendations of external oversight bodies accepted by the Chief Executive Officer and the Representative of the Secretary-General or by the Board;

(b) The economy, efficiency and effectiveness of the financial, physical and human resources management of the Fund and the operations of the Fund to meet the objectives of the Fund as approved by the Board.

H.2 Audit observations, recommendations and reports shall be submitted by the Fund's internal auditors to the Audit Committee, which shall provide such reports, together with an analysis thereof, to the Board on an annual basis. The Audit Committee shall periodically evaluate the performance of the Fund's internal auditors and report on such performance to the Board.

H.3 The Chief Executive Officer shall provide the internal auditors with such facilities as may be reasonably required for the performance of the audit of the operations and financial accounts of the Fund. Officials of the Fund shall provide the internal auditors with such documents or other information as the internal auditors require for the performance of their audits. The internal auditors shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit. The internal auditors may draw the attention of the General Assembly to any denial of information classified as privileged which, in its opinion, was required for the purpose of the audit.

External audit

H.4 In accordance with article 14 (b) of the Regulations of the Fund, the operations of the Fund shall be subject to annual audits performed by the Board of Auditors. The audit shall be conducted in conformity with the International Standards on Auditing and in accordance with the Regulations and Rules of the Fund and the Financial Regulations and Rules of the United Nations. The Board of Auditors shall be completely independent and solely responsible for the conduct of the audit in accordance with regulation 7.6 of the Financial Regulations and Rules of the United Nations.

H.5 The Board of Auditors may make observations with respect to the efficiency of the financial procedures, the accounting system and the internal financial controls and, in general, the administration and management of the Fund.

H.6 In accordance with section VI, paragraph 17 of General Assembly resolution 70/248, the report of the Board of Auditors on the Fund shall be submitted separately to the General Assembly and a copy shall be annexed to the report of the Pension Board.

H.7 In accordance with section VI, paragraph 16 of General Assembly resolution 70/248, the Pension Board, in consultation with the United Nations Board of Auditors, shall make arrangements that would enable the Pension Board to consider, at its annual meeting, the final financial report and audited financial statements and report of the Boards of Auditors on the Fund.

Facilities in respect of external audits and access to documents and information

H.8 The Chief Executive Officer shall provide the Board of Auditors with such facilities as may be reasonably required for the performance of the audit of the operations and financial accounts of the Fund. Officials of the Fund shall provide the Board of Auditors with such documents or other information as the Board of Auditors requires for the performance of their audits. The Board of Auditors and its staff shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit. The Board of Auditors may draw the attention of the General Assembly to any denial of information classified as privileged which, in its opinion, was required for the purpose of the audit.

Annex IX

Membership of the Audit Committee as of 1 August 2016

Member	
A. Henning (WHO)	Governing bodies
T. Repasch (United Nations) (Chair)	Governing bodies
R. Bhalla (ICAO)	Executive heads
D. Thatchaichawalit (United Nations)	Executive heads
C. Monier (United Nations)	Participants
E. Voli Bi (UNESCO)	Participants
H. Featherstone	FAFICS

Expert member

B. Sanz Redrado

A. Vienneau

Annex X

Membership of the Assets and Liabilities Monitoring Committee

Member	
V. M. González Posse (United Nations)	Governing bodies
S. Makokha (UNESCO)	Governing bodies
J. Pozenel (United Nations)	Executive heads
T. Panuccio (ex-FAO)	Executive heads
P. Sayour (ex-ILO)	Participants
A. O. Adeniyi (United Nations)	Participants
W. Sach	FAFICS
P. Barrett-Reid	FAFICS

Annex XI

Allocation and rotation of seats on the United Nations Joint Staff Pension Board after 2017

Group	*Member organization*	*Regular board session 2018*			*Regular board session 2019*			*Regular board session 2020*			*Regular board session 2021*			*Regular board session 2022*			*Regular board session 2023*		
I	United Nations	4 GA	4 SG	4 P	4 GA	4 SG	4 P	4 GA	4 SG	4 P	4 GA	4 SG	4 P	4 GA	4 SG	4 P	4 GA	4 SG	4 P
II	FAO	GB	DG	P	GB	DG	P	GB	DG	P	GB	DG	P	GB	DG	P	GB	DG	P
	WHO	GB	DG	P	GB	DG	P	GB	DG	P	GB	DG	P	GB	DG	P	GB	DG	P
III	UNESCO	GB		P	GB	DG			DG	P	GB		P	GB	DG			DG	P
	ILO		DG	P	GB		P	GB	DG			DG	P	GB		P	GB	DG	
	IAEA	GB	DG			DG	P	GB		P	GB	DG			DG	P	GB		P
IV	UNIDO			P	GB	DG		GB				DG	P			P	GB	DG	
	WIPO	GB	DG				P		DG	P	GB			GB	DG				P
	ICAO	GB	DG				P	GB		P	GB			GB	DG				P
	ITU			P	GB	DG			DG			DG	P			P	GB	DG	
V	WMO	GB				DG				P	GB				DG				P
	IMO		DG				P	GB				DG				P	GB		
	IFAD			P	GB				DG				P	GB				DG	
VI	ICC																		
	ICGEB																		
	WTO																		
	ICCROM																		
	ISA																		
	ITLOS																		
	IPU																		
	EPPO																		
	STL																		
	IOM																		
Totals		11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11

Abbreviations: GA, General Assembly; SG, Secretary-General; P, participants group; GB, governing body; DG, Director-General.

Annex XII

Allocation and rotation of seats on the Standing Committee after 2017 (elections to take place during the indicated Board sessions)

Group	*Member organization*	*Regular board session 2018*			*Regular board session 2019*			*Regular board session 2020*			*Regular board session 2021*			*Regular board session 2022*			*Regular board session 2023*		
I	United Nations	2 GA	2 SG	2 P	2 GA	2 SG	2 P	2 GA	2 SG	2 P	2 GA	2 SG	2 P	2 GA	2 SG	2 P	2 GA	2 SG	2 P
II	FAO	GB	DG				P	GB		P		DG		GB	DG				P
	WHO			P	GB	DG			DG		GB		P			P	GB	DG	
III	UNESCO		DG				P	GB				DG				P	GB		
	ILO	GB				DG				P	GB				DG				P
	IAEA			P	GB				DG				P	GB				DG	
IV	UNIDO, WIPO		DG				P	GB				DG				P	GB		
	ICAO, ITU			P	GB				DG				P	GB				DG	
V	WMO																		
	IMO	GB				DG				P	GB				DG				P
	IFAD																		
VI	ICC																		
	ICGEB																		
	WTO																		
	ICCROM																		
	ISA																		
	ITLOS																		
	IPU																		
	EPPO																		
	STL																		
	IOM																		
Totals		5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5

Abbreviations: GA, General Assembly; SG, Secretary-General; P, participants group; GB, governing body; DG, Director-General.

Annex XIII

Recommendations to the General Assembly for amendments to the Regulations of the United Nations Joint Staff Pension Fund[a]

Existing text	*Proposed text*	*Comments*
Article 24 **Restoration of prior contributory service**		
(a) In certain circumstances, a participant may elect, within one year of the recommencement of participation, to restore his or her most recent period of contributory service. A participant re-entering the Fund on or after 1 April 2007, who previously had not, or could not have, opted for a periodic retirement benefit following his or her separation from service, may, within one year of the recommencement of participation, elect to restore his or her most recent period of prior contributory service. Furthermore, and under the same terms and conditions, restoration of the most recent period of contributory service may also be elected if, before 1 April 2007, a participant had elected under article 30, or was deemed to have elected under article 32, a periodic deferred retirement benefit that was not yet in payment at the time of election to restore.	(a) In certain circumstances, a participant may elect, within one year of the recommencement of participation, to restore his or her most recent period of contributory service. A participant re-entering the Fund on or after 1 April 2007, who previously had not, or could not have, opted for a periodic retirement benefit following his or her separation from service, may, within one year of the recommencement of participation, elect to restore his or her most recent period of prior contributory service. Furthermore, and under the same terms and conditions, restoration of the most recent period of contributory service may also be elected if, before 1 April 2007, a participant had elected under article 30, or was deemed to have elected under article 32, a periodic deferred retirement benefit that was not yet in payment at the time of election to restore.	No change

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[a] Proposed additions appear in boldface type and proposed deletions are indicated by strikethrough.

Existing text	*Proposed text*	*Comments*
(b) Notwithstanding the provisions of (a) above, if the recipient or former recipient of a disability benefit again becomes a participant in pay status, the contributory service, for which the participant has not received a benefit, preceding the commencement of the disability benefit, shall be restored. Furthermore, in such a case the disability benefit period will be recognized as contributory service, without the payment of any contributions.	(b) Notwithstanding the provisions of (a) above, if the recipient or former recipient of a disability benefit again becomes a participant in pay status, the contributory service, for which the participant has not received a benefit, preceding the commencement of the disability benefit, shall be restored. Furthermore, in such a case the disability benefit period will be recognized as contributory service, without the payment of any contributions, **and the participant shall retain the date of commencement of participation that was applicable preceding the commencement of the disability benefit.**	To reflect the decision of the Pension Board that a former participant who was in receipt of a disability benefit and re-enters the Fund retains the date of participation applicable on the date of separation prior to receiving the disability benefit.
(c) A beneficiary of the participant may make the election under (a) above, under the same conditions as a beneficiary under article 23(b).	(c) A beneficiary of the participant may make the election under (a) above, under the same conditions as a beneficiary under article 23(b).	No change
(d) Restoration under (a) above shall be subject to receipt by the Fund of contributions in accordance with article 25(d).	(d) Restoration under (a) above shall be subject to receipt by the Fund of contributions in accordance with article 25(d).	No change
Article 41 **Medical examination**	**Article 41** ~~**Medical examination**~~ **Medical evaluation**	
(a) Every participant in the Fund shall be required to undergo a medical examination in accordance with the standards prescribed by the Board, unless the Board accepts the findings of an earlier medical examination.	~~(a) Every participant in the Fund shall be required to undergo a medical examination in accordance with the standards prescribed by the Board, unless the Board accepts the findings of an earlier medical examination.~~	To reflect the approval by the Board that a determination of fitness for employment based on a medical evaluation by the member organization will be acceptable for determining medical fitness for participation in the Fund

Existing text	*Proposed text*	*Comments*
	(a) Every staff member of each member organization who fulfils the requirements of article 21(a) for participation in the Fund and is determined to be medically fit for employment by the member organization shall be accepted as medically fit for participation in the Fund.	
(b) A participant who refuses to undergo such medical examination, and for whom the findings of an earlier examination are not accepted, shall not, until completion of five years of contributory service, be entitled to a disability benefit under these Regulations, nor shall a widow's, widower's or secondary dependant's benefit be payable in the event of the participant's death in service unless such period has been completed.	~~(b) A participant who refuses to undergo such medical examination, and for whom the findings of an earlier examination are not accepted, shall not, until completion of five years of contributory service, be entitled to a disability benefit under these Regulations, nor shall a widow's, widower's or secondary dependant's benefit be payable in the event of the participant's death in service unless such period has been completed.~~ **(b) A participant who knowingly fails to disclose relevant medical information, or who falsifies information, shall not be entitled to receive a disability benefit under article 33(a) unless the condition giving rise to the disability is determined medically to be unrelated to the information that was not disclosed or was falsified.**	

Annex XIV

Amendments to the Administrative Rules of the United Nations Joint Staff Pension Fund[a]

Existing text	*Proposed text*	*Comments*
Section C **Medical examination**	**Section C** ~~**Medical examination**~~ **Medical evaluation**	
C.1 In accordance with article 41(a) of the Regulations, a medical examination shall be carried out of each participant by the medical officer of the member organization by which he or she is employed, or a medical practitioner designated by the medical officer, prior to or as early as may be practicable after the commencement of participation.	C.1 In accordance with article 41(a) of the Regulations, a medical ~~examination~~ **evaluation** shall be carried out of each participant ~~by the medical officer of the member organization by which he or she is employed, or a medical practitioner designated by the medical officer,~~ prior to or as early as may be practicable after the commencement of participation.	To reflect the approval by the Board that a determination of fitness for employment based on a medical evaluation by the member organization will be acceptable for determining medical fitness for participation in the Fund.
C.2 The examination shall be conducted in such manner as to determine whether or not the participant meets the medical standards, and may be waived if the participant has undergone a medical examination within twelve months prior to the commencement of participation the results of which are acceptable to the medical officer.	C.2 The ~~examination~~ **evaluation** shall be conducted in such manner as to determine whether or not the participant ~~meets the medical standards~~ **is medically fit for participation in the Fund**, and may be waived if the participant has undergone a medical ~~examination~~ **evaluation** within twelve months prior to the commencement of participation the results of which are acceptable to the medical officer.	
C.3 A participant whose entitlements are restricted under article 41(b) of the Regulations shall, upon undergoing a medical examination as provided in rules C.1 and C.2 above, be accorded his or her full entitlements.	~~C.3 A participant whose entitlements are restricted under article 41(b) of the Regulations shall, upon undergoing a medical examination as provided in rules C.1 and C.2 above, be accorded his or her full entitlements.~~	

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[a] Proposed additions appear in boldface type and proposed deletions are indicated by strikethrough.

Existing text	*Proposed text*	*Comments*
	C.3 A participant who refuses to undergo a medical evaluation to determine fitness for employment and fulfils the requirements under article 21(a) of the Regulations, and for whom the findings of an earlier medical evaluation are not accepted, shall not, until completion of five years of contributory service, be entitled to a disability benefit under the Regulations, nor shall a widow's, widower's or secondary dependent's benefit be payable.	
	C.4 A participant whose entitlements are restricted under rule C.3 above shall, upon undergoing a medical evaluation as provided in rules C.1 and C.2 above, be accorded his or her full entitlements.	
Section J **Computation and payment of benefits**		
J.7 The age of a participant shall be calculated in years and fractions of years from the date of birth to the date of separation, in accordance with the method prescribed for the calculation of contributory service in J.4 above; a participant shall nevertheless not be considered to have reached age fifty-five, age sixty or age sixty-two until his or her fifty-fifth, sixtieth or sixty-second birthday, as the case may be, shall have elapsed.	J.7 The age of a participant shall be calculated in years and fractions of years from the date of birth to the date of separation, in accordance with the method prescribed for the calculation of contributory service in J.4 above; a participant shall nevertheless not be considered to have reached age fifty-five, **age fifty-eight**, age sixty, ~~or~~ age sixty-two **or age sixty-five** until his or her fifty-fifth, **fifty-eighth**, sixtieth, ~~or~~ sixty-second **or sixty-fifth** birthday, as the case may be, shall have elapsed.	In accordance with article 1(n) of the Regulations, to reflect the new early retirement age of 58 and normal retirement age of 65 adopted as of 1 January 2014 for those who become participants in the Fund on or after that date.

Annex XV

Recommendations to the General Assembly for a change in the pension adjustment system of the United Nations Joint Staff Pension Fund[a]

Existing text	*Proposed text*	*Comments*
26. (a) For countries where the application of the local-currency track would lead to aberrant results, with wide fluctuations depending on the precise commencement date of the underlying benefit entitlement, establishment of a local currency base amount in accordance with section C may be discontinued by the Chief Executive Officer of the Pension Fund. In such cases, the Chief Executive Officer shall duly inform the Board or the Standing Committee of this action, as soon as feasible.	26. (a) For countries where the application of the local-currency track would lead to aberrant results, with wide fluctuations depending on the precise commencement date of the underlying benefit entitlement, establishment of a local currency base amount in accordance with section C may be **suspended** ~~discontinued~~ by the Chief Executive Officer of the Pension Fund **with respect to future and current retirees and beneficiaries. In such cases, the Chief Executive Officer shall duly inform retirees and beneficiaries in pay status in advance of such suspension.** The Chief Executive Officer shall **also** duly inform the Board ~~or the Standing Committee~~ of this action, as soon as feasible.	To reflect the approval by the Board of amendments, which clarify certain language and reflect measures that may be exercised in re-establishing the local currency track benefit in a country where such benefit had previously been suspended.
(b) Aberrant results in (a) above may be due, *inter alia*, to:	~~(b) Aberrant results in (a) above may be due, inter alia, to:~~	
(i) Very high inflation rate and an exchange rate which either remained fixed or whose fluctuation was very limited in relation to the level of the inflation rate;	~~(i) Very high inflation rate and an exchange rate which either remained fixed or whose fluctuation was very limited in relation to the level of the inflation rate;~~	
(ii) The 36-month average of exchange rates covered different currency units or included a currency unit that was no longer applicable;	~~(ii) The 36-month average of exchange rates covered different currency units or included a currency unit that was no longer applicable;~~	

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[a] Proposed additions appear in boldface type and proposed deletions are indicated by strikethrough.

Existing text	*Proposed text*	*Comments*
(iii) Substantial depreciation of the local currency, combined with non-existent, inconsistent or outdated information on the movement of the country's consumer price index.	~~**(iii) Substantial depreciation of the local currency, combined with non-existent, inconsistent or outdated information on the movement of the country's consumer price index.**~~	
(c) For countries where up-to-date CPI data is not available, after examining possible alternative sources of cost-of-living data and taking into account the particular circumstances of the beneficiaries residing in those countries, the application of the local currency track may be suspended; such suspensions shall apply only prospectively, with due notice given to the beneficiaries concerned.	**(b) For countries where: (i) up-to-date CPI data is not available, after examining possible alternative sources of cost-of-living data and taking into account the particular circumstances of the beneficiaries residing in those countries; or (ii) the 36-month average of exchange rates covers different currency units or includes a currency unit that is no longer applicable and reasonable adjustment and/or conversions are not available or cannot be determined in accordance with section Q, the application of the local currency track may be suspended for future and current retirees and beneficiaries; such suspensions shall apply only prospectively, with due notice given to the current retirees and beneficiaries concerned.**	
	~~**(c) For countries where up-to-date CPI data is not available, after examining possible alternative sources of cost-of-living data and taking into account the particular circumstances of the beneficiaries residing in those countries, the application of the local currency track may be suspended; such suspensions shall apply only prospectively, with due notice given to the beneficiaries concerned.**~~	

Existing text	*Proposed text*	*Comments*
	(c) As determined by the Chief Executive Officer, the local currency track benefit may be reinstated after it is determined that the economic conditions within that country create a situation where the local currency track benefit will once again, as of the reinstatement date, be expected to consistently preserve the purchasing power of the monthly pension benefit as established in the currency of the recipient's country. The following provision will be applicable with respect to the reinstatement of the local currency track benefit: **(i) A new local currency base amount will be established for the country of residence in accordance with section C, replacing the month of separation by the month prior to the reinstatement date wherever it occurs in that section. A new notional dollar track benefit will not be established;** **(ii) Section H shall apply with the adjustment occurring as of 1 April following the reinstatement date;** **(iii) Section I will apply commencing on the first quarter following the reinstatement date;** **(iv) All retirees and beneficiaries residing in the country as of the reinstatement date will be allowed to elect payment of the local currency benefit at any time subsequent to the reinstatement date provided residence is maintained and acceptable proof of such residence is provided to the Fund. These reinstatement provisions are not applicable to retirees and beneficiaries whose benefits commence subsequent to the reinstatement date.**	

Annex XVI

Membership of the Standing Committee

Representing	*Members*	*Alternates*
United Nations (Group I)		
General Assembly	V. M. González Posse	D. Chumakov
	P. R. O. Owade	J. Stösberg[a]
		H. Kozaki
Secretary-General	D. Thatchaichawalit[b]	
	K. Alford	
Participants	A. O. Adeniyi	
	C. Monier	
Specialized agencies (Group II)		
Governing body	S. Ellinas (FAO)	
Executive head	A. Van Houtte (FAO)	
Participants	K. Bruchmann (WHO)[c]	
Specialized agencies (Group III)		
Governing body	Did not attend (IAEA)	
Executive head	J.-C. Villemonteix (ILO)	
Participants	E. Voli Bi (UNESCO)	
Specialized agencies (Group IV)		
Governing body	P. Kantchev (ITU)	
Participants	B. Fitzgerald (WIPO)	
Specialized agencies (Group V)		
Executive head	S. Liu (WMO)	

Members	*Alternate/representatives*
Federation of Associations of Former International Civil Servants	
G. Schramek	M. Seenappa
K. Chestopalov	L.-D. Ouedraogo

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[a] Second Vice-Chair.

[b] Chair.

[c] First Vice-Chair.

Annex XVII

Draft resolution proposed for adoption by the General Assembly

[The draft resolution covers those matters discussed in the report of the United Nations Joint Staff Pension Board which require action by the General Assembly, as well as other matters in the report that the Assembly may wish to note in its resolution.]

The General Assembly,

Recalling its resolution 65/249 of 24 December 2010, section V of its resolution 66/247 of 24 December 2011, its resolution 67/240 of 24 December 2012, section VII of its resolution 68/247 A of 27 December 2013, section VIII of its resolution 68/247 B of 27 December 2013, its resolution 69/113 of 10 December 2014 and section VI of its resolution 70/248 of 23 December 2015,

Having considered the report of the United Nations Joint Staff Pension Board for 2015,[a] including the financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2015, the information provided on the internal audits of the Fund and the observations of the United Nations Joint Staff Pension Board and of the Audit Committee, the report of the Secretary-General on the investments of the Fund and the related report of the Advisory Committee on Administrative and Budgetary Questions,

1. *Takes note* of the report of the United Nations Joint Staff Pension Board for 2015,[a] in particular the actions taken by the Board as set out in chapter II of the report;

2. *Endorses* the recommendations of the Advisory Committee on Administrative and Budgetary Questions, subject to the provisions of the present resolution;

Actuarial matters

3. *Takes note* of the results of the actuarial valuation of the United Nations Joint Staff Pension Fund, which revealed a surplus of 0.16 per cent of pensionable remuneration as at 31 December 2015, which was an improvement over the deficit of 0.72 per cent of pensionable remuneration revealed by the prior actuarial valuation as at 31 December 2013;

Financial statements of the United Nations Joint Staff Pension Fund

4. *Notes* the approval by the United Nations Joint Staff Pension Board of the financial statements as at 31 December 2015 prepared in accordance with the International Public Sector Accounting Standards;

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[a] *Official Records of the General Assembly, Seventy-first Session, Supplement No. 9* (A/71/9).

Administrative arrangements, revised budget and longer-term objectives of the United Nations Joint Staff Pension Fund

5. *Takes note* of the information set out in paragraphs 302 to 313 of the report of the United Nations Joint Staff Pension Board on the revised budget estimates for the biennium 2016-2017 and on measures to address the increased workload following the implementation of the integrated pension administration system;

6. *Approves* the recommendation of the United Nations Joint Staff Pension Board for an increase in total resources for the biennium 2016-2017 from 179,078,300 United States dollars to 182,307,000 dollars, as a result of which the United Nations share of the cost of the administrative expenses of the Fund would remain unchanged at 21,865,300 dollars, and takes note that extrabudgetary costs remain unchanged at 164,700 dollars;

Amendments to the Regulations and Administrative Rules of the United Nations Joint Staff Pension Fund

7. *Approves* the technical changes to the Regulations of the United Nations Joint Staff Pension Fund in accordance with past decisions and amendments adopted by the United Nations Joint Staff Pension Board and the General Assembly, as set out in annex XIV to the report of the Board;

8. *Takes note* of the adoption of the financial rules as part of the Administrative Rules of the United Nations Joint Staff Pension Fund, as set out in annex VIII to the report of the Board, and of the other amendments to refine the Administrative Rules and align them with the Regulations of the Fund as set out in annex XV;

Pension adjustment system

9. *Approves* the amendment to paragraph 26 of the pension adjustment system of the United Nations Joint Staff Pension Fund, as set out in annex XVI to the report of the United Nations Joint Staff Pension Board, in order to clarify certain language and to reflect measures that may be exercised in re-establishing the local currency track benefit in a country where that benefit had previously been suspended;

Investments of the United Nations Joint Staff Pension Fund

10. *Takes note* of the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund and the observations of the United Nations Joint Staff Pension Board as set out in its report.

Annex XVIII

Report of the Board of Auditors on the financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2015

Report of the Board of Auditors on the financial statements: audit opinion

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Joint Staff Pension Fund (the Fund) for the year ended 31 December 2015, which comprise the statement of net assets available for benefits (statement I), the statement of changes in net assets available for benefits (statement II), the cash flow statement (statement III), the statements of comparison of budget and actual amounts and the notes to the financial statements.

Responsibility for the financial statements

The Chief Executive Officer of the Fund, the Representative of the Secretary-General for the investment of the assets of the Fund and the Chief Financial Officer are responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control as the management deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditors

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves the performance of procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations Joint Staff Pension Fund as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

Report on other legal and regulatory requirements

Further to our opinion, the transactions of the Fund that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the regulations, rules and pension adjustment system of the Fund and its legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the Fund.

(*Signed*) Mussa Juma Assad
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors

(*Signed*) Shashi Kant Sharma
Comptroller and Auditor General of India
(Lead Auditor)

(*Signed*) Sir Amyas C. E. Morse
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland

19 September 2016

Long-form report of the Board of Auditors

Summary

1. The United Nations Joint Staff Pension Fund was established in 1949 by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and other organizations admitted to the membership of the Fund. It is administered by the United Nations Joint Staff Pension Board.

2. The Board of Auditors (the Board) audited the financial statements of the United Nations Joint Staff Pension Fund (the Fund) and reviewed its operations for the year ended 31 December 2015 in accordance with General Assembly resolutions 74 (I) of 1946 and 680 (VII) of 1952 and in conformity with article VII of the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the Fund as at 31 December 2015 and were in accordance with the International Public Sector Accounting Standards (IPSAS). The audit was carried out through a review of the financial transactions and operations at the Fund's headquarters in New York, covering both the Investment Management Division and the secretariat of the Fund. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

Audit opinion

3. The Board issued an unqualified opinion on the financial statements of the Fund as reflected in chapter I.

Overall conclusion

4. The Fund has successfully prepared financial statements in accordance with IPSAS and International Accounting Standard 26 since 2012. While there were no material deficiencies in the financial statements prepared by the Fund, the Board identified certain scope for improvements in the disclosures in the notes to the financial statements that would enhance the completeness and transparency of the information provided for the stakeholders. Further, there was a large foreign exchange loss of $1.49 billion during the current year ($1.96 billion in 2014) and the Fund has not taken any proactive steps to mitigate such losses. The Fund needs to strengthen the decision-making mechanism in the Investment Management Division by filling the vacancies in decision-making positions and taking steps to improve performance and reduce losses. There is scope for improvement in the processing of benefits and client services, in particular in redressing the complaints of the beneficiaries. The Fund should take proactive steps in collaboration with member organizations to expedite the receipt of the documents required for calculating and awarding pension benefits.

Key findings

Investment Management Division

Vacancies in key positions

5. The Board noted that the key posts of Director of the Investment Management Division, Deputy Director for Investments, Deputy Director for Risk and Compliance and Chief Operating Officer were vacant in 2015.

Risk management

6. The Board noted that no formal mechanism existed for the submission of reports tracking portfolio and security risks to the Representative of the Secretary-General for the investment of the assets of the Fund through the Director of the Investment Management Division or the Deputy Director for Investments.

Return on investment

(a) The Fund's long-term performance objective is to achieve a 3.5 per cent annualized real rate of return, as adjusted by the United States consumer price index. The Fund had an inflation-adjusted negative real return of 1.7 per cent in 2015 compared with a positive real rate of return of 2.4 per cent in 2014. The Fund underperformed in both years;

(b) The investment income fell by $5.26 billion (76 per cent) in 2014 compared with 2013 and by a further $2.12 billion (127.63 per cent) in 2015 compared with 2014, thus adversely affecting the performance of the Fund over the short-term period and potentially having a negative impact on the long-term objective of being fully funded.

Management of external fund managers

7. In 2011, the Fund decided to treat the selection of external managers as an investment decision rather than a procurement exercise and to have separate guidelines for selecting and evaluating external managers of funds (discretionary investment managers). More than four years later, however, the guidelines have not been finalized.

Benefits payment management

Implementation of the Integrated Pension Administration System

8. The Board observed various issues in the implementation of the Integrated Pension Administration System (IPAS), such as the non-removal of inconsistencies in existing data, issues in the migration of data from the legacy system and the absence of key performance indicators.

Client services

9. There were several deficiencies in the client query/complaint redressal system of the Fund.

Delays in processing benefits

10. Only 14 per cent of death-in-service cases could be processed within the target benchmark of 15 days, and 85 per cent of cases were processed with delays ranging from 16 days to more than one year. Only around 8 per cent of retirement and withdrawal cases could be processed within the benchmark of 15 days, whereas 91 per cent of cases were processed with delays ranging from 16 days to more than one year.

Delays by member organizations in the submission of documents

11. In 423 cases, more than six months elapsed between the separation of the participant and the receipt of the separation notification from the reporting entity, and in 2,616 cases, the entitlements could not be processed because payment instructions had not been provided by the participants.

Main recommendations

12. The Board recommends that the United Nations Joint Staff Pension Fund:

(a) **While filling the vacancies at the senior levels at the earliest opportunity, draw up a succession plan that foresees and addresses the changes that will occur when senior positions become vacant;**

(b) **Formalize a system for the regular monitoring of investment risk management by the Representative of the Secretary-General for the investment of the assets of the Fund through the Director of the Investment Management Division and the Deputy Director for Risk and Compliance;**

(c) **Review and improve its investment and risk processes so as to achieve the targeted long-term 3.5 per cent real rate of return;**

(d) **Prepare a time-bound action plan for the finalization and publication of its selection and evaluation criteria for external fund managers (discretionary investment managers);**

(e) **Address all the issues of data migration and frame key performance indicators in accordance with functional requirements for assessing the accuracy and timeliness of IPAS outcomes;**

(f) **Devise a suitable client query/complaint redressal system by means of proper acknowledgement, segregation, monitoring and reporting of queries/complaints and proper communication with clients;**

(g) **Prescribe a time frame and reporting framework for each type of entitlement and benefit on the basis of their urgency and priority;**

(h) **Impress upon the participating organization that it must ensure that cases that are due for separation in the normal course of business are identified and submitted sufficiently in advance; and, in collaboration with the participating organization, devise a mechanism to resolve the issues relating to incomplete or missing documentation.**

Key facts

23	**Number of member organizations, including the United Nations**
126,892	**Participants in the Fund**
71,474	**Beneficiaries**
$52.45 billion	**Total assets**
$183.39 million	**Total liabilities**
($2.7 billion)	**Deficit of pensionable remuneration[a]**
$52.27 billion	**Net assets available for benefits**
$1.81 billion	**Total income**
$2.42 billion	**Total expenses, including benefit payments**
($458.26 million)	**Investment income (loss)**
(1.7) per cent	**Inflation-adjusted real return for 2015 (negative return)**

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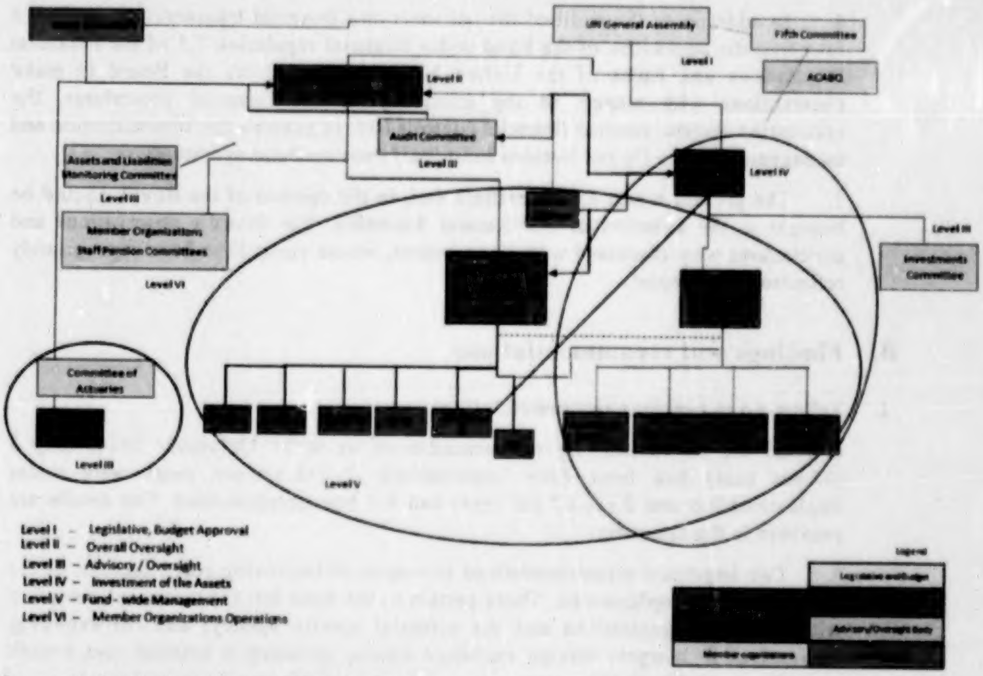
[a] According to the 2013 actuarial evaluation.

A. Mandate, scope and methodology

1. The United Nations Joint Staff Pension Fund was established in 1949 by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and other organizations admitted to the membership of the Fund. It is administered by the United Nations Joint Staff Pension Board and currently has 23 participating organizations, including the United Nations. The Fund is a multi-employer defined benefit plan. The governance structure of the Fund is set out in figure II.I below.

Figure II.I
Governance structure of the United Nations Joint Staff Pension Fund


UN General Assembly
Fifth Committee
Level I
ACABQ
Level II
Audit Committee
Level III
Assets and Liabilities Monitoring Committee
Level III
Level IV
Level III
Member Organizations Staff Pension Committees
Investments Committee
Level VI
Committee of Actuaries
Level III
Level V
Level I – Legislative, Budget Approval
Level II – Overall Oversight
Level III – Advisory / Oversight
Level IV – Investment of the Assets
Level V – Fund-wide Management
Level VI – Member Organizations Operations
Legend
Legislative and budget
Advisory/Oversight Body
Member operations

Source: United Nations Joint Staff Pension Fund.

Abbreviations: ACABQ, Advisory Committee on Administrative and Budgetary Questions; CEO, Chief Executive Officer; CFO/FSS, Chief Financial Officer, Financial Services Section; GVA, United Nations Office at Geneva; IMSS, Information Management Systems Service; RMLS, Risk Management and Legal Services Section; UN S-G/RSG, Secretary-General/Representative of the Secretary-General for the investment of the assets of the Fund.

2. The Board of Auditors (the Board) has audited the financial statements of the United Nations Joint Staff Pension Fund (the Fund) and has reviewed its operations for the year ended 31 December 2015 in accordance with General Assembly resolutions 74 (I) of 1946 and 680 (VII) of 1952. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the United Nations Joint Staff Pension Fund as at 31 December 2015 and its financial performance for the year then ended, in accordance with IPSAS. This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenses had been properly classified and recorded. The audit included a general review of financial systems and internal controls and a test examination of

the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. In addition to the audit of the accounts and financial transactions, the Board reviewed the operations of the Fund under financial regulation 7.5 of the Financial Regulations and Rules of the United Nations. This allows the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of the United Nations Joint Staff Pension Fund operations.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with management, whose views have been appropriately reflected in the report.

B. Findings and recommendations

1. Follow-up to previous recommendations

6. Of the 12 outstanding recommendations as at 31 December 2014, only 3 (25 per cent) had been fully implemented, 7 (58.33 per cent) were under implementation and 2 (16.67 per cent) had not been implemented. The details are provided in the appendix.

7. Two important recommendations in respect of improving core functions of the Fund remain unimplemented. These pertain to the need for: (a) closer collaboration with member organizations and the actuarial service agency; and (b) exploring alternatives to mitigate foreign exchange losses, including a detailed cost-benefit study for a suitable hedging strategy.

2. Financial overview

8. As at 31 December 2015, the total assets of the Fund amounted to $52.45 billion (2014: $53.10 billion) and the total liabilities amounted to $183.39 million (2014: $217.36 million), making net assets available for benefits of $52.27 billion (2014: $52.88 billion). This represented a decrease of $616.63 million compared with an increase of $1.41 billion in 2014. The market value of the investments of the Fund as at 31 December 2015 was $52.19 billion (2014: $52.85 billion). This represented a decrease of $0.66 billion compared with December 2014. The asset allocation was 62.22 per cent in equities, 24.17 per cent in fixed income, 6.51 per cent in real assets, 3.48 per cent in alternatives and other investments and 3.62 per cent in cash and short term.[1]

9. The total income of the Fund in 2015 was $1.81 billion (2014: $3.92 billion) comprising investment losses of $458 million (investment income in 2014: $1.66 billion), contributions of $2.26 billion (2014: $2.26 billion) and other income of $8.53 million (2014: $1.93 million). Expenses (comprising benefit payments, administrative expenses and other expenses) amounted to $2.42 billion (2014: $2.51 billion).

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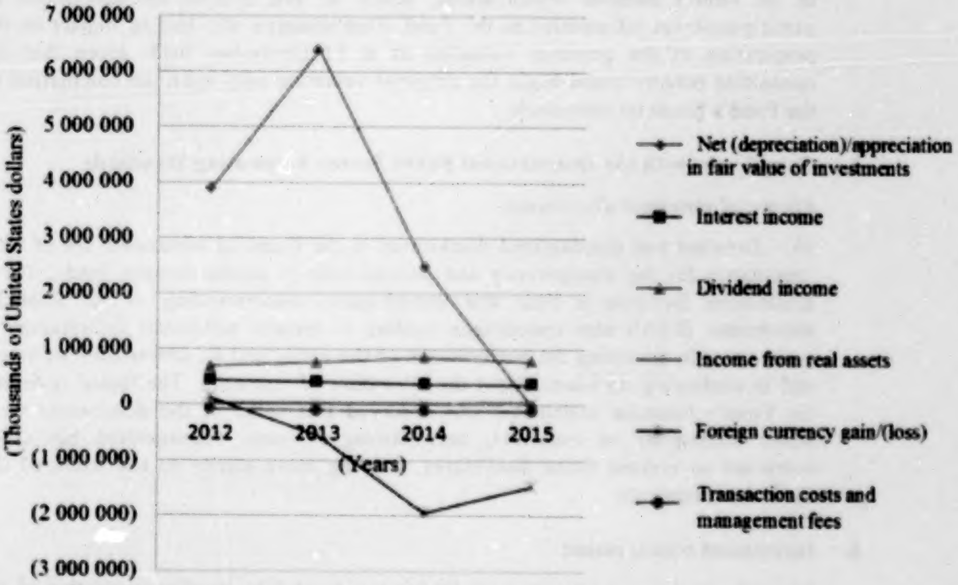
[1] Key drivers of the Fund's performance (calendar year 2015) as stated in the report on the 228th meeting of the Investments Committee.

10. The investment income fell by $5.26 billion (76 per cent) in 2014 compared with 2013 and by a further $2.12 billion (127.63 per cent) in 2015 compared with 2014. In the year 2015, the fair value of the investments depreciated by $18.13 million (appreciation in 2014: $2.5 billion) and there was a foreign exchange loss of $1.49 billion (2014: $1.96 billion).

11. The analysis of investment income over the past four years is depicted in figure II.II below.

Figure II.II
Investment income/(loss)



Source: United Nations Joint Staff Pension Fund financial statement.

12. The Fund return (nominal) for the year 2015 was negative and was at (-) 1.00 per cent versus (-) 1.10 per cent for the policy benchmark. The inflation-adjusted real return was (-) 1.7 per cent against the required 3.5 per cent set as a long-term investment goal.[2]

13. As at 31 December 2015, the Fund had 126,892 participants compared with 122,759 participants in 2014, an increase of about 3.4 per cent. The number of periodic benefits as at 31 December 2015 was 71,474 compared with 72,367 in 2014, a decrease of 1.24 per cent.

14. The actuarial valuations are obtained by the Fund once every two years. The Fund presented the 2015 financial statements on the basis of the 2013 actuarial report, which was the most recent report available at the time of preparation of the 2015 financial statements. Actuarial valuation at the end of the year 2013 had shown

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[2] Investment policy 2014.

a deficit of $2.7 billion. The actuarial valuation as at 31 December 2015 was in progress during the audit in July 2016. The Fund provided a copy of the 2015 actuarial report dated 5 August 2016 to the Board on 23 August 2016. The 2015 actuarial report estimates that the Fund is in surplus by an amount of $562 million. The Board observed that, normally, the Fund should have obtained the actuarial report in time to be incorporated into the 2015 financial statements. In addition, the Board was unable to audit the results of the actuarial evaluation of 2015 owing to its late submission.

15. The Fund reported that the preparation of its financial statements for 2015 was delayed owing to the implementation of a new enterprise resource planning system in the Fund's member organizations, which in turn delayed the submission of participant-level information to the Fund. That situation also had an impact on the preparation of the actuarial valuation as at 31 December 2015, given that the consulting actuary could begin the actuarial valuation only upon the completion of the Fund's financial statements.

3. Compliance with the International Public Sector Accounting Standards

Financial statement disclosures

16. Detailed and standardized disclosures in the financial statements are of vital importance for the transparency and management of public pension funds. These disclosures facilitate a clear and unambiguous understanding of the financial statements. IPSAS also encourages entities to present additional information to assist users in assessing the performance of the entity and its stewardship of assets and in evaluating decisions about the allocation of resources. The Board reviewed the Fund's financial statements and observed that some of the disclosures were either incomplete or incorrect, necessitating revision. Management has since corrected or revised those disclosures to bring more clarity to the users of the financial statements.

4. Investment management

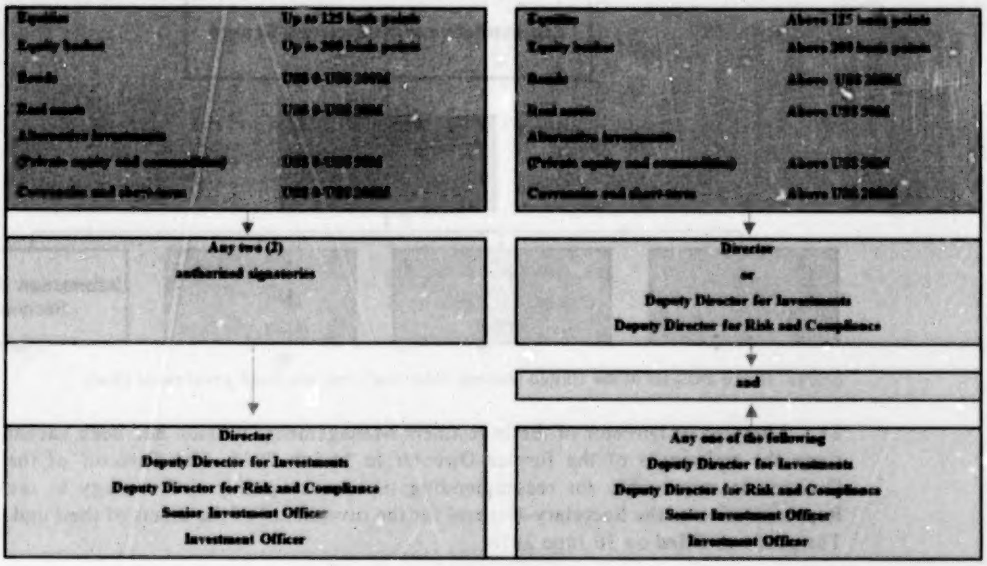
17. The Investment Management Division is headed by the Representative of the Secretary-General for the investment of the assets of the Fund. The Board reviewed the mechanism in place for the formulation and implementation of the investment strategy, policies and decision-making processes being followed by the Fund in order to assess whether the Fund had appropriately addressed the associated risks and its performance against established benchmarks and the target rates of return required to meet expected pension obligations.

Vacancies in the Investment Management Division

18. The Investment Management Division assists the Representative of the Secretary-General in evaluating investment advice received and in making the final decision as to the purchase or sale of specific investments. It also formulates investment strategies and executes them with the approval of the Representative of the Secretary-General. The structure of the Division in respect of making investment decisions is set out in figure II.III below.

Figure II.III

Decision-making structure of the Investment Management Division in respect of making investment decisions

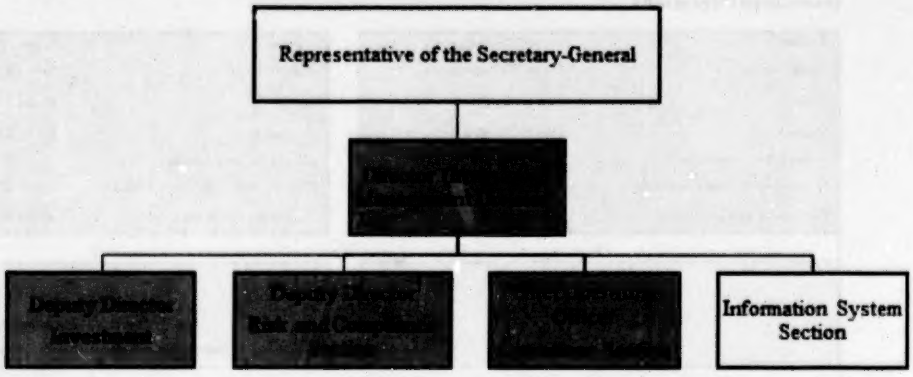

Equities
Up to 125 basis points
Equity basket
Up to 300 basis points
Bonds
US$ 0-US$ 200M
Real assets
US$ 0-US$ 50M
Alternative investments
(Private equity and commodities)
US$ 0-US$ 50M
Currencies and short-term
US$ 0-US$ 200M
Equities
Above 125 basis points
Equity basket
Above 300 basis points
Bonds
Above US$ 200M
Real assets
Above US$ 50M
Alternative investments
(Private equity and commodities)
Above US$ 50M
Currencies and short-term
Above US$ 200M
Any two (2)
authorized signatories
Director
or
Deputy Director for Investments
Deputy Director for Risk and Compliance
and
Director
Deputy Director for Investments
Deputy Director for Risk and Compliance
Senior Investment Officer
Investment Officer
Any one of the following
Deputy Director for Investments
Deputy Director for Risk and Compliance
Senior Investment Officer
Investment Officer

Source: United Nations Joint Staff Pension Fund.

19. The Investment Management Division is organized in sections, including an Investment Section, Risk and Compliance Section, Operations Section and Information System Section.

20. The Board noted that the key posts of Director of the Investment Management Division, Deputy Director for Investments, Deputy Director for Risk and Compliance and the Chief Operating Officer were vacant in 2015. The organization chart of the Investment Management Division is shown in figure II.IV below; the shaded boxes represent the positions that were vacant in 2015.

Figure II.IV
Organization chart of the Investment Management Division


Representative of the Secretary-General
Deputy Director Investment
Deputy Director Risk and Compliance
Information System Section

Source: Board analysis of the United Nations Joint Staff Pension Fund governance chart.

21. The post of Director of the Investment Management Division had been vacant since the retirement of the former Director in March 2015. The Director of the Division is responsible for recommending investment policy and strategy to the Representative of the Secretary-General for the investment of the assets of the Fund. The post was filled on 30 June 2016.

22. The Risk and Compliance Section is headed by a Deputy Director, who assists the Director and the Representative of the Secretary-General in the development and implementation of the Fund's policy on investment risk control and performance-related issues. The Deputy Director is responsible for monitoring emerging risks and integrating risk-management principles consistent with the strategic framework and the risk budget of the Fund. The post of Deputy Director (Risk and Compliance) has been vacant since October 2015 and is to be advertised. One post of Compliance Officer that was approved in 2015 in the Risk and Compliance Section also has not been filled. As a result of those vacancies, it is concluded that this section must limit its activities to risk monitoring rather than carrying out active risk management.

23. The post of Chief Operating Officer has also been vacant since 2015. The Chief Operating Officer is responsible for back-office operations, including back-office investment operations and trade settlement, investment transactions reconciliation and accounting, cash projections and settlement of foreign exchange transactions, regular reporting (including the investments portion of the Fund's financial statements) and tax recovery actions. The Investment Management Division reported that the post has been temporarily filled since September 2015 and the regular post has been advertised.

24. The Board observed that the total vacancy at the Professional level in the Investment Management Division for more than six months was more than 25 per cent.

25. The Fund informed the Board that it was addressing key man risk by making every effort to fill the vacancies. The additional capacity/onboarding of new staff would facilitate the Division's daily activities and broaden its opportunities.

26. While noting the reply, the Board is of the opinion that in order to effectively manage the investment assets of the Fund, it would be prudent to have a well-defined succession plan to ensure that vacancies are filled promptly. Long-pending vacancies at the senior level have an adverse impact on the Fund's performance and its investment strategy, leading to the centralization of responsibility and overburden of the existing professionals and may compromise the segregation of duties and result in inefficiencies.

27. The Fund accepted the audit observation.

28. **The Board recommends that the Fund, while filling the vacancies at the senior levels at the earliest opportunity, draw up a succession plan that foresees and addresses the changes that will occur when senior positions become vacant.**

Tactical asset allocation[3]

29. The primary goal of a strategic asset allocation is to create an asset mix that will provide an optimal balance between expected risk and return for a long-term investment horizon. Strategic asset allocation is often considered a reference portfolio that is tactically adjusted on the basis of short-term market forecasts, following a process often called tactical asset allocation. Many empirical studies support the idea that strategic asset allocation is the most important determinant of the total return and risk of a broadly diversified portfolio.[4]

30. Strategic asset allocation[5] is designed to achieve the 3.5 per cent real rate of return needed to meet the Fund's long-term objectives. The long-term strategic allocation forms the core of the actual portfolio, but market movements cause deviations from target allocations to occur, and opportunities for rebalancing certain asset classes on the basis of fundamental evaluation arise from time to time. Therefore, the Fund adopts tactical asset allocation within the overall strategic asset allocation for the purpose of active management of the asset portfolio.

31. At the quarterly meetings of the Investments Committee, the Investment Management Division proposed a new tactical asset allocation which, following discussion with the Investments Committee, was recommended to the Representative of the Secretary-General. The Representative of the Secretary-General approved the tactical asset allocation.

32. The Board noted that, at one time, Investments Committee members had recommended tactical asset allocation as a fixed percentage for each asset class. However, since November 2014, percentage ranges have been used for tactical asset allocation rather than a fixed number. The Board noted that the tactical asset allocation ranges had remained the same from November 2014 to 31 July 2015 and had been revised from 1 August 2015, following revision of the strategic asset allocation.

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[3] Tactical asset allocation represents near-term asset allocation ranges.

[4] Lyxor Asset Management Group, "White Paper: Strategic Asset Allocation", Issue No. 6 (Paris, March 2011) available from http://www.lyxor.com/uploads/tx_bilyxornews/Strategic_Asset_Allocation.pdf.

[5] Strategic asset allocation represents long-term asset allocation targets and ranges.

33. The Board also noted that the Investment Management Division had analysed[6] the effectiveness of tactical asset allocation and found that it had contributed 223 basis points and had contributed positively in 18 of the 24 quarters analysed, representing positive value added 75 per cent of the time. However, from the 224th meeting of the Investments Committee onwards (i.e., from February 2015), no value addition to performance on account of tactical asset allocation was calculated.

34. The Fund stated that it was using a different approach and definition in respect of tactical asset allocation whereby it was defined as a subset of the strategic asset allocation ranges. Consequently, the best way to measure the value added by the tactical asset allocation was to compare the performance of the policy benchmark for the Fund to the actual performance of the Fund. In addition, efforts had been made to calculate the value added from tactical asset allocation in the past but they had been neither successful nor accurate.

35. The tactical asset allocation represents active management of the asset portfolio by over/under weighing each asset class relative to the strategic asset allocation target weight for each asset class. Given that market and economic conditions do not remain static, the Board considers that the asset allocation should be reviewed regularly. Also, calculating value addition owing to tactical asset allocation would help in the directional impact of the investment strategy.

36. While accepting the audit observation, the Fund stated that it was in the process of developing such a mechanism with input from the Investments Committee and others.

37. **The Board recommends that the Fund devise a mechanism to assess the value addition to performance owing to active management of the portfolio on a regular basis so as to assess its impact and implement course correction as deemed necessary.**

Internal reference benchmarks

38. The Fund uses the Morgan Stanley Capital International[7] All Country World Index as a benchmark for evaluating the Fund's equity portfolio performance and the Barclays Capital Global Aggregate Bond Index as a benchmark for its fixed-income portfolio. The Morgan Stanley Capital International All Country World Index consists of 46 country indices comprising 23 developed and 23 emerging market country indices (as at February 2015).

39. The investment guidelines of the Fund specify the kind of investments, quantum of holdings, restricted or prohibited industries, diversification and approved list of holdings, including non-index companies, in which the Fund can invest, in order to satisfy the established investment criteria of safety, profitability, liquidity and convertibility.

40. While making a presentation to the Pension Board (JSPB/62/R.40), the reasons cited by the Fund for the underperformance of the Fund versus its policy benchmark for the biennium included a relatively short duration position in the fixed-income

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[6] Minutes of the 224th meeting of the Investments Committee.

[7] Morgan Stanley Capital International is a provider of investment decision support tools to investment institutions worldwide. Its products include indices and portfolio risk and performance analytics.

portfolio against the benchmark, stock selection, restrictions on owning tobacco and armament securities and the strengthening of the United States dollar.

41. The Board observed that the special investment criteria applicable to the Fund warranted the use of a customized reference benchmark. The applicability of the Morgan Stanley Capital International All Country World Index and Barclays Capital Global Aggregate Bond Index benchmarks to the Fund would be limited given that the criteria for investment in underlying securities were different.

42. The Fund stated that the topic of an internal reference benchmark had periodically been discussed within the Investment Management Division. In 2016, the Investment Management Division Risk Group, in conjunction with the master record keeper, performed a study to analyse the historical impact (risk and return) of constraints (for example, of not investing in the tobacco industry) to the Fund's equity portfolio. Based on those restrictions and constraints, the option to customize the benchmarks or make the impact of restricted stock more transparent in the reporting was still under consideration and would be further discussed with the Investments Committee prior to the next benchmark study.

43. The Fund also stated that on an interim basis, prior to the next formal benchmark study, it could compare the performance of its equity portfolios to a customized benchmark(s) such as the Morgan Stanley Capital International All Country World Index, excluding tobacco and/or excluding armament stocks.

44. **The Board recommends that the Fund establish customized reference benchmarks taking into account the Fund's special criteria, which would better measure the Fund's overall performance.**

Risk management in the Investment Management Division

45. The risk management manual sets forth the investment policy risk controls for the risk management programme. The risk management manual (para. II.4 (e)) requires that the Fund monitor unrealized gains and losses on each position and when they exceed 25 per cent of the investment, an examination of the due diligence process and the continued basis of holding is triggered by the Compliance Section weekly. The Investment Section reviews the performance quarterly on the basis of reports generated by the master record keeper.

46. When asked whether it would not be appropriate to have a more frequent review with a trigger at a lesser percentage for unrealized gains/losses, the Fund informed the Board that the threshold of 25 per cent had been decided after working with the Office of Internal Oversight Services (OIOS). It added that while all the holding securities were monitored by each team on a daily basis and reviewed by the Investment Management Division together with the Investments Committee on a quarterly basis, the supervisors needed more frequent review (i.e., weekly or monthly) for the significant underperformers. The Fund also stated that the monitoring process needed to be formalized, with the support of the risk team, to generate accurate, timely and objective reports and highlight the securities (placed on the "watch list" on the basis of pre-set criteria) that needed attention. It would be helpful if they covered longer-term analysis, such as the contributors in the past 1, 3, 6 or 12 months, together with the watch list.

47. The risk management manual (para. II.4 (a)) stipulates that through the process of risk budgeting, tracking-risk tolerances are assigned to the whole portfolio as

well as individual portfolios that are monitored by the Risk Group and discussed quarterly in the Investments Committee meetings. On a daily basis, the portfolios are managed by senior investment officers/investment officers as long as they are within the risk budget.

48. The Board noted that no formal mechanism existed for the submission of reports tracking portfolio and security risks to the Representative of the Secretary-General through the Director of the Investment Management Division and the Deputy Director for Investments, who are the immediate supervisors of the senior investment and investment officers. The Fund stated that the risk budget for the whole portfolio and the individual portfolios was prepared on a monthly basis and was available to the investment team.

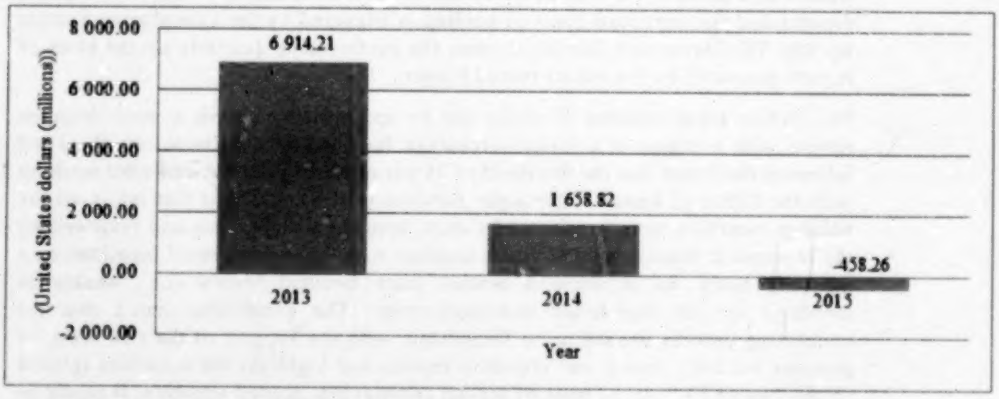
49. **The Board recommends that the Fund: (a) introduce a mechanism for a more frequent supervisory review of the underperforming securities on the basis of certain predefined parameters; and (b) formalize the system for regularly tracking risk tolerance monitoring and risk management, by the Representative of the Secretary-General through the Director of the Investment Management Division and the Deputy Director for Risk and Compliance.**

Return on investments

50. The Fund's long-term performance objective is to achieve a 3.5 per cent annualized real rate of return, as adjusted by the United States consumer price index. The Fund had an inflation-adjusted negative real return of 1.7 per cent in 2015 compared with a positive real return of 2.4 per cent in 2014. The Fund therefore underperformed in both years against the 3.5 per cent benchmark.

51. The Fund's investment income/loss from 2013 to 2015 is depicted in figure II.V below.

Figure II.V
Investment income/(loss)



Source: United Nations Joint Staff Pension Fund financial statements.

52. The Board noted that investment income fell by $5.26 billion (76 per cent) in 2014 compared with 2013 and by a further $2.12 billion (127.63 per cent) in 2015 compared with 2014. That has adversely affected the performance of the Fund over

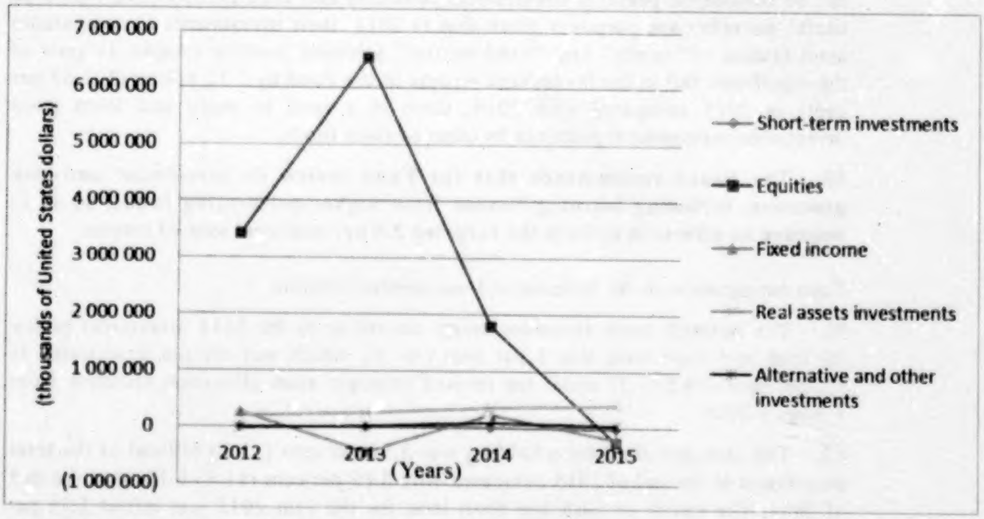
the short term and may have a negative impact on the long-term objective of ensuring that the Fund is fully funded.

53. The Board noted that in the year 2015, the fair value of the investments depreciated by $18.13 million (appreciation in 2014: $2.5 billion) and suffered foreign exchange losses of $1.49 billion (2014: $1.96 billion). The Fund had invested 62.22 per cent in equity and 24.17 per cent in fixed-income as at 31 December 2015,[8] in conformance with the Fund's strategic asset allocation. The fair value of equity and fixed-income assets depreciated by $255.86 million (compared with a gain of $1.8 billion in 2014) and by $205 million (gain of $236.9 million in 2014), respectively. The short-term investments suffered a loss of $7.2 million in fair value in 2015. Thus, the Fund did not perform well in the asset classes in which it was heavily invested, leading to a negative return on investments in 2015.

54. The change in fair value for assets (designated at fair value) is depicted in figure II.VI below.

Figure II.VI

Change in fair value for assets (designated at fair value) from 2012 to 2015



Source: **United Nations Joint Staff Pension Fund financial statements.**

55. According to the Fund, the return on total internal equity was (-) 1.41 per cent, fixed income (-) 3.40 per cent, cash and short term (-) 5.16 per cent and alternative investments (-) 1 per cent. Only the investment in real assets gave a positive return, of 10.01 per cent, in 2015.[9]

56. The Board observed from the analysis of the performance of the Fund against the respective benchmarks of the asset class over a period of one, three, five and seven years that the performance of cash and short term, real assets and alternative investments was consistently below the benchmark during those periods. Fixed-

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[8] **Investments Committee Blue Book, minutes of the 228th meeting, Executive summary.**

[9] **United Nations Joint Staff Pension Fund, calendar year 2015 returns.**

income returns over a one-year and three-year period were also below the benchmark.

57. The Board also noticed that other pension funds delivered better performances in 2015. One fund with a corpus of $897 billion[10] (as at 31 December 2015) gave a positive return of 2.74 per cent in 2015. The return on equity and fixed income was 3.8 per cent and 0.3 per cent, respectively. Similarly, another fund with a corpus of $212 billion[11] (as at 31 March 2016) gave a return of 3.70 per cent (as at 31 March 2016). Its return on equity and fixed income was 0.56 per cent and 3.65 per cent, respectively.

58. In response, the Fund stated that it did not believe that it had peers owing to the unique global nature of the Fund. While pointing out that every fund has its own specific requirements, the Fund agreed that other pension funds could be used as reference points and that meaningful lessons could be learned from them in order to make suitable interventions. The Fund also stated that it was currently in the process of reviewing its internal investment and risk processes and procedures.

59. The Board understands that the other pension funds referred to above might not be considered peers. It nevertheless considers that their performance would be useful for reference purposes given that in 2015, their investments in comparable asset classes of "equity" and "fixed income" achieved positive returns. In view of the significant fall in the investment income of the Fund by 2.12 billion (127.63 per cent) in 2015 compared with 2014, there is a need to study and learn good investment management practices by other pension funds.

60. **The Board recommends that the Fund review its investment and risk processes, including learning lessons from higher-performing funds, so as to improve its efforts to achieve the targeted 3.5 per cent real rate of return.**

Cash management in the Investment Management Division

61. The strategic asset allocation target according to the 2014 investment policy for cash and short term was 3 per cent (+/- 3), which was revised downwards to 1.5 per cent (+4.5/-1.5) under the revised strategic asset allocation effective from 1 August 2015.

62. The cash and short-term holding was 3.52 per cent ($1.83 billion) of the total investment at the end of 2015 compared with 3.65 per cent ($1.93 billion) at the end of 2014. The return on cash and short term for the year 2015 was minus 5.16 per cent (the return on cash only was minus 6.2 per cent). The return on cash for the year 2014 was minus 4.64 per cent.

63. The Board noted that the Fund held cash in 24 currencies, including the United States dollar. The value of cash in non-United States dollars at the end of December 2015 was equivalent to 21.42 per cent[12] of the total cash held and was exposed to foreign exchange risk.

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[10] One Norwegian krone equals 0.12 United States dollars.

[11] One Canadian dollar equalled 0.76 United States dollars on 28 June 2016.

[12] Total cash (dollars) = 1,293,882,672; cash in dollars = 1,016,758,813; percentage in non-United States dollar currencies = (1293882672-1,016,758,813)100/1293882672 = 21.42 per cent.

64. The Board also noted that although the approved strategic asset allocation allows the holding of cash, the suballocation in different non-United States dollar currencies was an investment decision of the Fund.

65. The Fund stated that it needed to maintain cash in different currencies for various purposes, such as settlement, payroll and performance. It further stated that there was no minimum requirement in respect of the currencies to be maintained. Over the course of the month, the Fund either buys currencies or uses income from dividends or coupon payments to cover payrolls.

66. The Fund also stated that the performance of cash and foreign exchange should be measured over a longer period of time given that in 2000-2007, 2009 and 2010-2011, the United States dollar depreciated against most other currencies. If the Fund had kept 100 per cent in United States dollars during the 2014-2015 biennium, the losses could have been significant.

67. While noting the reply, the Board observed that given that the Fund itself had confirmed that there was no minimum requirement to be maintained, and the Fund bought currencies to cover payrolls, it was important that the Fund rebalance its cash portfolio considering that it lost $232.24 million owing to foreign exchange fluctuations from 2013 to 2015.

68. The Board recommends that the Fund carry out a review of the cash requirements of various currencies in order to keep a minimum investment in cash, given that it carries a low return and is subject to foreign exchange fluctuation.

Management of foreign exchange gains/losses

69. Open exposure to foreign exchange volatility brings with it the risk of reduced returns or even capital erosion. This is evident from the 2014 and 2015 investment returns. The Fund's foreign currency losses were $1.49 billion in 2015 and $1.96 billion in 2014. Significant foreign exchange losses were one of the major factors contributing to the net investment loss of $458.26 million in 2015.

70. The Board noted that the Fund had experienced total foreign exchange losses of more than $4 billion[13] since 2013 (equivalent to 7.63 per cent[14] of total assets as at 31 December 2015). The losses affected all asset classes and were in all currencies except the Hong Kong dollar and the Japanese yen in 2015.

71. The Board also noted that equity, which comprises 62.22 per cent of the total portfolio, contributed $739.3 million (49.6 per cent), fixed income, which comprises 24.17 per cent of the total portfolio, contributed $582.95 million (39.15 per cent) and cash and short term, which comprise 3.62 per cent, contributed $113.5 million (7.6 per cent) to the foreign exchange losses.

72. The Fund also informed the Board that master record keeper reports were monitored daily for performance and contribution to the performance coming from unhedged currency exposure. However, those were not foreign exchange gains or losses but were monthly revaluations of assets invested in currencies other than the United States dollar.

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[13] 2013: $558.92 million; 2014 — $1.96 billion; 2015 — $1.49 billion.

[14] Total assets: $52.45 billion according to the financial statement.

73. While noting the reply, the Board is of the opinion that it is important to assess the impact of foreign exchange losses on the asset holding and not merely consider the entire amount as losses owing to revaluation of assets. Concern about the foreign exchange losses was also raised by the Board in its 2014 report. The Board had recommended that the Fund explore alternatives to mitigate the foreign exchange losses, including a detailed cost-benefit study for a suitable hedging strategy.

74. In response, the Fund stated that it had studied foreign exchange in 2015 and had met with several experts on the topic. The Investments Committee, at its 225th meeting, had recommended that currency hedging not be adopted at the present time in the light of the zero-sum nature of the strategy and the recent currency moves. The Fund also stated that it would explore the resources, logistics and utility related to identifying suitable tools to fulfil the Board's observations.

75. **The Board recommends that the Fund: (a) address the foreign exchange exposure issue and employ suitable procedures and tools to mitigate foreign exchange losses; and (b) develop an internal mechanism to monitor, evaluate and manage losses or gains owing to foreign exchange in addition to regular monitoring of the fair value of the assets.**

Fixed-income returns

76. The Fund had a total allocation of $12.59 billion (24.17 per cent) to fixed-income investments as at 31 December 2015. Fixed-income investment had a negative return of 3.40 per cent in 2015. The loss comprised $205.02 million owing to devaluation in the fair value of fixed-income investments and $582.95 million owing to foreign exchange losses. A total of 46.53 per cent of the fixed-income investment was in a currency other than the United States dollar. The Board observed that although strategic asset allocation provided for allocation in fixed income as an asset class, the allocation in different currencies was an investment decision of the Investment Management Division.

77. When the Board questioned the reasons for non-United States dollar fixed-income instruments despite large foreign exchange losses, the Fund stated that being a global fixed-income fund with a global benchmark that had a number of currency weights, including the United States dollar (45 per cent), the euro (24.2 per cent), the Japanese yen (16.2 per cent), the pound sterling (5.9 per cent) and others (8.7 per cent), there was a need to invest in currencies that were in the benchmark for risk management and performance purposes. The Fund added that the time period referenced was a relatively short one during which the United States dollar was appreciating, hence the foreign exchange losses.

78. The Board noted that fixed-income investment had experienced foreign exchange losses in 2013 and 2014 as well. Further, the revised strategic asset allocation provided for (+10.5/-7.5) per cent flexibility beyond the targeted strategic asset allocation of 26.5 per cent for fixed income.

79. The Board also noticed that the Fund held securities in euros, Swedish krona and Japanese yen that had negative yields.

80. The Fund stated that securities with negative yields were also part of the benchmark. It explained that negative yields still could provide a positive return to the portfolio if the currency strengthened or yields fell further.

81. The Fund also stated that currency allocation relative to the benchmark and short duration relative to the benchmark had caused the underperformance of 27 basis points. It continuously monitored and reviewed its asset allocation and made every effort to take suitable action to meet or exceed its fixed-income benchmark (the Barclays Capital Global Aggregate Bond Index) and to limit losses.

82. While noting the reply, the Board considers that in order to address the losses incurred to date, the processes adopted to manage the fixed-income investments by the Fund should be reviewed, especially from the point of view of the allocation made to different currencies.

83. **The Board recommends that the Fund review its processes for fixed-income investments to ensure that it meets or exceeds its benchmark.**

Management of external fund managers

84. The Fund has contracted the services of four external fund managers for investments in small-cap equity in different geographic regions, namely, North America, Europe and Asia. The Fund had an investment of $2.27 billion in small caps as at 31 December 2015. It paid $9.8 million in management fees to the four fund managers.

85. The contracts with the external fund managers were initially signed during 2008-2010 for a period of three plus two years. However, the same fund managers received multiple extensions or renewals to the existing contracts. Although the firms were given multiple renewals, the compensation terms remained the same.

86. In 2011, the Fund decided to treat the selection of external managers as an investment decision rather than a procurement exercise. However, although more than four years have passed since the decision to have separate guidelines for the selection and evaluation of external managers of funds (discretionary investment managers) was taken, the guidelines have not yet been finalized.

87. The Fund stated that it evaluated the performance of the fund managers quarterly and annually. The evaluation considered various aspects, including investment performance against the benchmarks, the stability and soundness of the firm and the investment team, the consistency of the investment style and the timing and accuracy of the reporting. However, it did not have a format for evaluation prior to the renewal of the contracts.

88. In the absence of approved guidelines, the Fund may have to renew the contracts with the existing fund managers and therefore miss the opportunity to hire better external managers and negotiate more favourable terms and conditions.

89. **The Board recommends that the Fund prepare a time-bound action plan to finalize and publish its selection and evaluation criteria for external fund and discretionary investment managers.**

Service-level agreement for the trade order management system

90. The Fund has three information technology systems in operation in its Investment Management Division, namely: (a) Bloomberg PORT, which is a tool for day-to-day portfolio management and analysis; (b) Omgeo, which is a confirmation and affirmation system that includes all equity market brokers so that all equity trades are electronically confirmed and affirmed; and (c) a trade order management system

which allows authorized users to trade any security listed on any stock exchange and connect all the parties involved in an electronic straight-through-processing.

91. In December 2013, the Fund decided to replace its trade order management system run by Charles River Associates with a new Asset and Investment Manager (AIM) from Bloomberg on the grounds that the existing system required ongoing upgrades and customization to suit users' requirements. Phase I of the Bloomberg AIM project was complete; however, phase II was yet to be implemented. The investments in equity were being carried out through the system but investments in fixed income and foreign exchange were being done manually. Bloomberg was a service provider and all the transactions were done through online access provided to the Fund by Bloomberg.

92. The Board observed that no formal service-level agreement defining the rights and duties of the parties and for the monitoring of quality of service had been entered into. When questioned about how the integrity and availability of data were assured, the Fund informed the Board that on a daily basis, positions, transactions and cash balances were electronically reconciled against the bank custodians' records (data) by the Investment Management Division using the AIM reconciliation module. In addition, Bloomberg was assessed yearly by an independent firm on data integrity, security, availability and confidentiality.

93. The Fund stated that it would explore related legal and procurement considerations in this regard. If feasible, it would revise the standard Bloomberg service-level agreement and the Investment Management Division would set up internal roles and schedules for periodic monitoring of the agreement.

94. **The Board recommends that the Fund enter into a service-level agreement defining the respective roles and responsibilities and service-level benchmarks and that it develop a mechanism to secure compliance with the agreement.**

5. Benefits payment management

Implementation of the Integrated Pension Administration System

95. The Integrated Pension Administration System (IPAS) is a complex and large-scale operational and technological initiative undertaken by the Pension Fund with the objective of replacing all major system applications with a new integrated system solution, re-engineering all of the Fund's operational processes, adopting a new operational paradigm, constructing and installing a new integrated database and updating and standardizing all hardware components (including replacing the legacy mainframe with more modern and efficient software and hardware components).

96. The estimated cost of the total project was $26.20 million as at 2015. This represented an increase of approximately $3.50 million over the amount originally estimated and approved at $22.70 million.

97. The system went live on 3 August 2015 and the Board was informed that the project team had worked very hard to ensure that the system was subject to extensive testing. During its audit, the Board examined the following:

(a) Whether all deliverables in the approved project report had been delivered;

(b) Whether the migration of data from the legacy system, the United Nations Joint Staff Pension Fund Administration System (PENSYS), had occurred successfully;

(c) The manner in which IPAS processed the benefit payments;

(d) Communications with the member organizations and the system that generated the financial statements;

(e) The business continuity measures in place.

98. The audit observations are discussed below:

(a) **Removal of inconsistencies in existing data.** For the migration of data from the old system to the new system, data should be sanitized and inconsistencies removed before a baseline for migration is established. Although the Fund was asked to provide details regarding sanitization, no document was furnished. In the absence of details, the Board is unable to draw conclusions on the sanitization of legacy system data prior to migration to IPAS;

(b) **Migration of data.** During the migration of data from the legacy system to the IPAS system, data from 76 fields were transferred. Out of approximately 184 million source records, almost 80,000 (0.04 per cent) were not migrated. Approximately 6.75 million records (3.67 per cent) were migrated, with some exceptions. As analysed in the scorecard, the reasons for data rejections included invalidity of various records, inconsistencies in data, non-matching of data, data conversion issues and null data. The Fund reported that exceptions during data migration were minimal and occurred only for data that did not affect any calculations. The small portion of data rejected (0.04 per cent) related primarily to historical information with extremely limited processing impact, if any. The Board observed that the Fund had not obtained any independent assessment of data migration and that the implementers had moved ahead with a go-live scenario on 3 August 2015 before resolving all the issues. As a result, full migration was not achieved;

(c) **Formation of key performance indicators.** The Fund has not framed key performance indicators to assess accuracy and timeliness at various stages of processing in IPAS. It stated that key performance indicators had not been implemented owing to ongoing system stabilization and that a detailed go-live plan and transition plan had been used by the IPAS project direction team to monitor the completion of all activities required for the implementation of the system as well as pending activities (gaps), issues and corrective actions. The Board, however, considers that key performance indicators are usually an input to the design of the system and assist in identifying gaps during system stabilization and corrective courses of action to be taken;

(d) **Activation of modules.** The implementation of self-service modules was part of the data conversion strategy document from the vendor. However, the member self-service module has not been implemented and limited functionality was deployed in respect of the employer self-service module for a considerable amount of time. This has resulted in incomplete implementation of IPAS. The Fund accepted this audit observation. The Fund informed the Board in September 2016 that the modules had since been launched, on 31 August 2016;

(c) **Achievement against business outcomes.** Vital outcomes envisaged in the project were the generation of management information system reports, the documentation of all systems and processes and the generation of pension statements. In an independent assessment of the implementation of IPAS, a consulting firm suggested that the enhancement of the system through the incorporation of a robust management information system and the documentation of all systems and processes would mitigate risks. The Fund has yet to achieve those outcomes. The Fund accepted that it had yet to implement a robust management information system and documentation system. Several initiatives in this regard are in progress.

99. **The Board recommends that the Fund: (a) resolve the issues of data migration; and (b) frame key performance indicators in accordance with functional requirements for assessing the accuracy and timeliness of IPAS outcomes.**

Client services

100. The Fund provides retirement, death, disability and related benefits for the staff of the United Nations and 22 other member organizations. The Fund currently serves 126,892 active participants and 71,474 beneficiaries and benefits are paid in 15 different currencies across 190 countries.

101. The Board examined the Fund's client services, focusing on the client query/grievance redressal mechanism, the number of queries/grievances received and resolved in 2015 and those pending as at 31 December 2015. The Board requested the Fund to provide reports submitted to management regarding the monitoring of queries/grievances received by the Fund in 2014 and 2015.

102. The Board found that queries/grievances from clients were received primarily by post and e-mail. In addition, the Fund addressed queries by phone and attended to walk-in clients, and those exchanges were also logged into IPAS. According to the available management reports, only details of general queries received and processed were available. No information on the handling of complaints or queries is available for the period following the implementation of IPAS (namely, post-July 2015).

103. During the period from January 2014 to July 2015 (the pre-IPAS period), a total of 22,380 general queries were received, of which 21,851 were processed. However, no data were available on the number of general queries that had been resolved. Further, 72 per cent of the queries received were processed within the benchmark of 15 business days against a target of 88 per cent. It was confirmed by management that no similar reports were available for the post-IPAS period.

104. The Board observed that there was no segregation of general queries and complaints received by the Fund. There was no centralized system to register the queries and complaints by giving them a distinct reference number, making it difficult to monitor their processing. Accordingly, the stage at which the queries were pending remained unclear to both the Fund participant and management at a given point in time. It was also observed that there was no written documentation detailing the query/grievance redressal mechanism in the Fund so as to indicate the prioritization of complaints and queries on the basis of their nature, or specified time periods for resolving complaints or queries on the basis of their priority. A general benchmark for the processing of queries has been fixed at 15 days, but there

was no reporting system in place in IPAS with respect to the resolution of queries received by the Client Services Unit and the processing time taken by the Unit for resolving the queries.

105. **The Board recommends that the Fund: (a) acknowledge all queries and complaints received from all sources; (b) segregate queries and complaints so to address them appropriately; (c) devise a system of categorization and prioritization of complaints and their resolution; (d) inform the client periodically about the progress achieved in the resolution of the complaint; (e) devise a system for monitoring and reporting the status of grievances to the appropriate levels in the Fund in order to ensure an effective client delivery mechanism; and (f) review the complaints data to help to identify the weaknesses of the system and to improve and streamline the existing processes.**

Delays in the processing of benefits

106. The processing of benefits starts when all three of the mandatory documents (payment instructions from the participant, separation notice and separation personnel action) are received. In respect of the 98 cases of death in service and a sample of retirements and withdrawal cases processed in IPAS in 2015 or earlier, the time taken to process the cases after the receipt of all the documents is detailed below.

Table II.1
Time taken to process benefits

Processing time	*Death in service (total cases: 98)*		*Retirement and early retirement (sample size: 1 450)*		*Withdrawals (sample size: 2 963)*	
Within the benchmark of 15 days	14	(14%)	115	(7.9%)	241	(8.1%)
16 days-1 month	4	(4.1%)	124	(8.6%)	258	(8.7%)
1-2 months	9	(9.2%)	237	(16.3%)	650	(21.9%)
2-3 months	11	(11.2%)	230	(15.9%)	601	(20.3%)
3-6 months	31	(31.6%)	584	(40.3%)	941	(31.8%)
6 months-1 year	22	(22.4%)	139	(9.6%)	228	(7.7%)
>1 year	6	(6.1%)	1	(0.1%)	7	(0.2%)
Exceptions owing to non-availability of data	1		20		37	

Source: United Nations Joint Staff Pension Fund data.

107. The above table shows that only 14 per cent of death-in-service cases could be processed within the benchmark of 15 days, whereas 85 per cent of cases were processed with delays ranging from 16 days to more than one year. Only around 8 per cent of retirement and withdrawal cases could be processed within the benchmark of 15 days, whereas 91 per cent of cases were processed with delays ranging from 16 days to more than one year.

108. In its response, the Fund stated that the previous performance indicator of 75 per cent of benefit cases processed within 15 days would be reviewed to reflect the processing in the IPAS system and the significant increase in separations compared with historical levels.

109. The Board considers that the Fund needs to prescribe time frames for processing the cases and that it should develop a framework for reporting any delays or discrepancies in processing benefits to the appropriate level of management.

110. **The Board recommends that the Fund prescribe a time frame for servicing the case load. An internal reporting framework for each type of benefit based on its priority should be established.**

Certificate of entitlement

111. A certificate of entitlement is a form used by the Fund to verify the continuing eligibility of retirees and beneficiaries for the benefits they receive. The Fund sends the form every year to each retiree or beneficiary at the address on file in its records six months before the deadline for the receipt of the certificate.

112. The Board observed that the benefits of the retirees or beneficiaries are suspended if a certificate of entitlement is not received by the Fund, which may occur if the retiree or beneficiary has changed his/her address or owing to a malfunction of the local mailing service. Non-matching of signatures is another reason for the suspension of benefits. Information was sought from the Fund regarding the total number of cases in which a certificate of entitlement was requested, the number of cases in which the certificate was received by the Fund and could be accepted and the number of cases in which benefits were suspended. Data were requested for the years 2013-2015.

113. The Fund stated that in 2015, no certificate of entitlement exercise had been undertaken, given that it was a part of process improvements implemented with IPAS. The Fund changed the certificate of entitlement cycle from 2016, in order to complete a full certificate of entitlement exercise in the same calendar year. The Fund stated that pensions had been suspended owing to non-receipt of the certificate of entitlement form in 962 and 833 cases in 2013 and 2014, respectively.

114. The Board was of the opinion that it was important to obtain and process certificates of entitlement in the most practical and timely manner possible to ensure that all the valid beneficiaries continued to receive their benefits in a timely manner. Given that the beneficiaries use the banking system to receive their benefit and the banks are likely to have more regular contact with the beneficiaries, the Fund could explore the option of seeking the banks' cooperation in verifying and obtaining the certificate of entitlement.

115. **The Board recommends that the Fund simplify the process of obtaining the certificate of entitlement, including exploring the option of engaging the corresponding banks in the process.**

Delays by member organizations in the submission of documents in cases of separation and death in service

116. The Fund provides retirement, death, disability and related benefits for the staff members of the United Nations and the other member organizations. The United Nations and the other member organizations are required to submit three mandatory documents (namely, payment instructions from the participant, separation notice and separation personnel action) to the Fund to process the entitlement claims in case of separation or death in service.

117. Details regarding the opening balance of cases, cases received (with full documentation), cases processed and cases pending since 2014 were sought from the Fund. The Fund was unable to extract the requested information. Further, there was no available information in respect of the cases in which processing had not been started because the corresponding workflow had not been generated.

118. IPAS was implemented from 3 August 2015 and all the pending separation cases in PENSYS were brought into IPAS. Of the total 5,074 cases processed, a sample of cases were selected, for which the separation details were available, to assess the time taken by the member organizations to forward the documents after the separation of the participants. The details are shown in table II.2 below.

Table II.2

Delays by member organizations in the submission of documents

Time taken to submit the documents	*Death in service (total of 98 cases)*		*Retirement and early retirement (sample size: 1 450 cases)*		*Withdrawals (sample size: 2 963 cases)*	
<1 month	2	(2%)	375	(25.8%)	136	(4.6%)
1-2 months	12	(12.2%)	269	(18.6%)	339	(11.4%)
2-6 months	40	(40.8%)	613	(42.2%)	1 196	(40.3%)
6 months-1 year	19	(19.4%)	139	(9.6%)	1 002	(33.8%)
>1 year	24	(24.5%)	21	(1.4%)	215	(7.3%)
Exceptions owing to non-availability of data	1		33		75	

Source: United Nations Joint Staff Pension Fund data.

119. Table II.2 above shows that only 2 per cent of death-in-service cases were submitted within the period of one month, whereas 97 per cent of cases were submitted with delays ranging from more than one month to more than one year. Approximately 26 per cent of retirement and withdrawal cases were submitted within the period of one month, whereas 72 per cent of cases were submitted with delays ranging from more than one month to more than one year.

120. Further, in respect of 423 cases, although more than six months' time had elapsed since the separation of the participant, the separation notification had yet to be received from the reporting entities and in respect of 2,616 cases, the entitlements could not be processed owing to non-receipt of payment instructions from the participants.

121. In response, the Fund agreed that there had been delays in the receipt of the separation documents and that the creation of "pension focal points" in all the reporting entities would facilitate the speedy processing of benefits. However, the Fund also stated that the creation of such positions and the determination of the relevant tasks were not within the scope of responsibility of the Fund. The Fund further reported that it would also conduct, with the support of an external consultant and in coordination with the member organizations, an end-to-end review of the separation-to-entitlement process to identify opportunities for achieving greater efficiency and effectiveness and improving coordination.

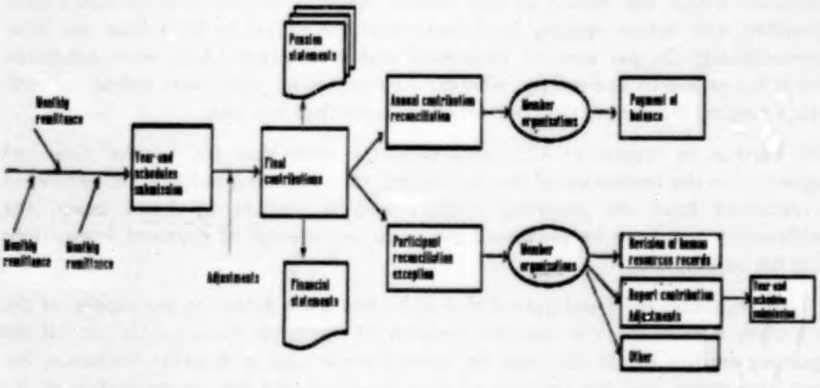
122. The Board considers that it is important for the Fund to work in collaboration with the participating organizations to develop a seamless system to ensure that the cases and related documents are received in time to enable the Fund to process them in a timely manner.

123. **The Board recommends that the Fund: (a) impress upon the participating organizations the need to ensure that they identify and submit to the Fund sufficiently in advance cases that are due for separation in the normal course of business; and (b) check the status of documentation and jointly devise a mechanism to resolve the issues relating to incomplete or missing documentation from member organizations.**

Reconciliation of employee contributions

124. Member organizations submit the schedules of the details of employee contributions to the Fund, on the basis of deductions made from the payroll of the participant employees (calculated according to human resources records and pensionable remuneration data) and the employer's contributions, usually by the first quarter of the following year. The revenue is booked in the financial statements on the basis of employee details received at the end of the year. The difference between the revenue booked and the actual receipts is recorded as receivable or payable by the member organizations. The reconciliations are carried out at the end of the year. The flowchart below illustrates the procedure for the reconciliation of contributions between the Fund and member organizations.

Figure II.VII
Procedure of reconciliation of contributions between the Fund and member organizations


Monthly remittance
Monthly remittance
Monthly remittance
Year-end schedules submission
Adjustments
Final contributions
Pension statements
Financial statements
Annual contribution reconciliation
Member organizations
Payment of balance
Participant reconciliation exception
Member organizations
Revision of human resources records
Report contribution adjustments
Year-end schedules submission
Other

Source: United Nations Joint Staff Pension Fund.

125. The Board observed that the process of the reconciliation of contributions submitted by member organizations to the Fund was carried out only after the

preparation of the financial statements. Hence, the financial statements have been prepared without incorporating the results of the reconciliation exercise.

126. The Board also noted that the Fund had been able to review 20.32 per cent of participant reconciliation exceptions in 2012-2014. Thus, 79.68 per cent of participant reconciliation exceptions in the amount of $13.68 million, $12.48 million and $13.83 million in 2012, 2013 and 2014, respectively, were left unreviewed during the same period. In its report for the previous year, the Board had recommended that the Fund continue to improve controls and the efficiency of the participant reconciliation exception process to ensure that the discrepancies were identified and reconciled with member organizations in a timely manner. However, the number of participant reconciliation exceptions resolved in the successive years was decreasing.

127. The Fund stated that the reconciliation with member organizations for the year 2015 had yet to be carried out and that the letters for 2015 would be sent to the organizations from July 2016. It also stated that participant reconciliation exceptions did not affect the financial statements, given that they were only a supplementary record used for improving the quality of data. The Fund further stated that the start date of the project to integrate monthly contribution data into IPAS was still to be determined.

128. The Board considers that any adjustments carried out to reconcile the differences would have a direct impact on the financial statements.

129. **The Board recommends that participant reconciliation exceptions need to be resolved in a time-bound manner in order to avoid any dispute with the participating organizations and to ensure that up-to-date and accurate financial statements can be prepared for the Fund and the participating organizations.**

6. Miscellaneous issues

Anti-fraud policy of the Investment Management Division

130. The Pension Fund management is responsible for the prevention and detection of fraud, corruption and other irregularities. To that end, the establishment of an anti-fraud policy that facilitates the development of controls that would aid in the prevention, detection and reporting of fraud (corruption) and other irregularities against the Fund is required.

131. The Fund informed the Board that the Investment Management Division had drafted a formal anti-fraud policy to reinforce and promote appropriate behaviour within the Division. The draft policy had been reviewed by the Ethics Office, the Office of Human Resources Management and the Audit Committee of the Pension Board. The draft policy was now being assessed by the Office of Legal Affairs of the Secretariat. Once formally approved, it would be an essential component in moderating the risk of fraud within the Investment Management Division.

132. **The Board recommends that the Fund: (a) finalize the anti-fraud policy at the earliest opportunity; and (b) widely circulate the policy and make staff aware of its provisions and implications.**

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

133. The Fund informed the Board that there was no write-off of losses of cash, receivables and property in the year 2015.

2. Ex gratia payments

134. The Fund reported that it had not made any ex gratia payments to the staff of the Fund during the year ended 31 December 2015.

3. Cases of fraud and presumptive fraud

135. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularity (including those resulting from fraud). Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

136. During the audit, the Board made enquiries regarding the oversight responsibility of management for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management had identified or that had been brought to its attention. In addition, the Board enquired whether the Fund had any knowledge of any actual, suspected or alleged fraud; it also made enquiries of OIOS in that regard. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

137. The Fund reported that there were no cases of fraud or presumptive fraud that related to the staff of the Fund during the year ended 31 December 2015.

D. Acknowledgement

138. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Chief Executive Officer of the Fund and the Representative of the Secretary-General for the investment of the assets of the Fund and the members of their staff.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania
Chair of the Board of Auditors

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
(Lead Auditor)

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General
United Kingdom of Great Britain and Northern Ireland

19 September 2016

Appendix

Status of implementation of outstanding recommendations as at 31 December 2014

General Assembly session/ paragraph	*Summary of recommendation*	*Action reported by management*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
A/69/9, annex X, para. 19	The Board recommends that the Fund closely collaborate with member organizations to ensure that those organizations submit contribution data in a timely manner, and keep in close communication with the actuarial service provider to ensure that the actuarial report could be produced and included in the formal financial statements in a timely manner.	The implementation of a new enterprise resource planning system in the Fund's member organizations delayed the finalization of the financial statements of those organizations. Delays in the submission of participant-level information to the Fund also delayed the completion of the actuarial valuation for the year ending 2015. Thus, the actuarial valuation as at 31 December 2013 was included in the Fund's financial statements for the year ended 31 December 2015, given that the consulting actuary could begin the actuarial valuation only upon the completion of the Fund's financial statements. The actuarial valuation as at 31 December 2015 will be incorporated into the Fund's financial statements for 2016.	This recommendation was not implemented.			X	
A/69/9, annex X, para. 47	The secretariat of the Fund agreed with the Board's reiterated recommendation to: (a) continue to improve controls and efficiency of the participant reconciliation exception process to ensure the discrepancies are identified and reconciled with member organizations in a timely manner; and (b) prepare monthly and year-end contribution reconciliations to ensure the accuracy of the contributions and receivables recorded in pension system and financial statements.	The Fund will complete the implementation of the project in respect of the monthly reconciliation of contributions, which was approved in the budget for the 2016-2017 biennium. Project requirements are currently in the draft stage, with the expectation that the project will be completed, for some member organizations, by the fourth quarter of 2017.	This recommendation was under implementation.		X		

General Assembly session/ paragraph	Summary of recommendation	Action reported by management	Board's assessment	Implemented	Under implementation	Not implemented	Overtaken by events
A/69/9, annex X, para. 51	The secretariat of the Fund agreed with the Board's recommendation to: (a) utilize and promote the online self-service as an additional tool in the certificate of entitlement process along with the smooth implementation of IPAS; and (b) consider establishing a practical plan to develop an automatic signature verification system or thumbprint/live image verification system to facilitate the certificate of entitlement process.	The Fund's member self-service was launched on 31 August 2016. Member self-service enables Fund beneficiaries to monitor when the Fund received their 2016 certificate of entitlement. In addition, beneficiaries who are in the "dollar track" will be able to download the certificate of entitlement form from member self-service; The Fund will continue exploring opportunities to enhance the certificate of entitlement process.	This recommendation was under implementation.		X		
A/70/325, annex VI, chap. II, para. 22	Disclose its usage of two different exchange rates for translating non-United States dollar-denominated currency transactions during the year.	Disclosure was added to the footnotes.	This recommendation was implemented.	X			
A/70/325, annex VI, chap. II, para. 30	Expedite the introduction of the counterparty settlement system in a time-bound manner.	The Fund takes note of this observation and is aware of the foreign exchange settlement risk that could occur with direct settlement with the counterparties. As stated in this audit observation, owing to the dual custodian model, the possibility of settling foreign exchange transactions through CLS is limited. However, the Fund believes that its internal control for foreign exchange settlement procedures is adequate to mitigate the foreign exchange settlement risk. Historically, the Fund has never lost any principal in foreign exchange deals. If a counterparty failed to deliver the funds on the settlement date, the funds were nevertheless received within a reasonable time frame and the counterparty settled any compensation claims issued to it by the Fund. It is important to note that, presently, the	This recommendation was under implementation.		X		

General Assembly session/ paragraph	Summary of recommendation	Action reported by management	Board's assessment	Implemented	Under implementation	Not implemented	Overtaken by events
		majority of foreign exchange trades executed at the Fund within a single day are done for a single currency (for example, Swiss franc, euro, Swedish krona and Norwegian krone against the United States dollar). Therefore, the benefits of multilateral netting that CLS offers in making one net payment per currency each day can be realized for United States dollar currency only. The rest of the currencies will continue to settle in gross because of the small volume of foreign exchange transactions. The Fund aims to promote CLS settlement (or its equivalent) for CLS-eligible currencies as soon as its custodian model has changed to one global custodian bank structure. Only at that time will the Fund be able to revisit this audit recommendation. Since the go-live date of Bloomberg AIM on 18 January 2016, the Fund has been using "MT 304 messages — advice/ instruction of a third-party deal" to instruct foreign exchange transactions to the custodian banks. As such, the Fund is working to implement CLS settlement in the second phase of the implementation of Bloomberg AIM, which is scheduled to be completed by the third quarter of 2016. Partial implementation of the Northern Trust side commenced in March 2016 and full implementation is expected in October 2016.					

General Assembly session/ paragraph	*Summary of recommendation*	*Action reported by management*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
A/70/325, annex VI, chap. II, para. 35	Explore alternatives to mitigate the foreign exchange losses, including a detailed cost-benefit study for a suitable hedging strategy.	The Fund has evaluated various alternatives to its existing practice. The hedging of currency risk was taken into account in 2015 and was not utilized recognizing the zero sum-game representation over time. A formal research abstract of this is under consideration.	This recommendation was not implemented.			X	
A/70/325, annex VI, chap. II, para. 41	Take steps to achieve the policy benchmarks on each portfolio by improving its internal investment processes and practices and endeavour to achieve the overall minimal real return of 3.5 per cent.	The investment policy statement has been revised to reflect the strategic asset allocation, adopted on 1 August 2015, based on the most recent assets and liability management study. Consequently, the tracking risk budget of the Fund was updated as at 1 January 2016. The updated versions of the revised investment policy statement and the tracking risk budget have been discussed with the Investments Committee.	This recommendation was under implementation.		X		
A/70/325, annex VI, chap. II, para. 48	The Board reiterates that the Fund continue to reconcile and resolve all participant reconciliation exceptions with member organizations in a timely manner. Until such time as a system is implemented to enable monthly reconciliations, the Fund may consider including a suitable disclosure in the financial statements on the quantum of unresolved participant reconciliation exceptions.	The Fund will gradually migrate to a monthly process of contribution reporting through an improved data integrity process and will implement new procedures to conduct spot checks on sample records and perform trend analysis and analysis of variances to ensure adherence to the Fund's regulations and rules. The participant reconciliation exception process is mainly a data clean-up exercise that does not impact the financial statements. The Fund reiterates that a disclosure of the participant reconciliation exceptions may mislead the readers of the financial statements, given that most discrepancies identified relate to participant (human resources) records and not to actual contribution discrepancies.	This recommendation was under implementation.		X		

General Assembly session paragraph	*Summary of recommendation*	*Action reported by management*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
A/70/325, annex VI, chap. II, para. 53	Ensure adherence to the stipulated benchmark for the processing of benefits through improvements in efficiencies and use of information technology enabled services, since service to its members is the primary function of the Fund.	Following its go-live in August 2015, the IPAS system is currently in the post-implementation/stabilization phase. Accordingly, performance is measured by: (a) ability to reduce/eliminate any remaining backlog; and (b) ability to process new cases. These performance indicators will not be formalized until the post-implementation phase is complete and the process is stabilized.	This recommendation was under implementation.		X		
A/70/325, annex VI, chap. II, para. 57	(a) Improve the benefit payment system by consolidating all payments due to the beneficiary and making a single payment; and (b) ensure effective pursuance of overpayments to ensure their recovery.	(a) Currently, 1,214 beneficiaries receive multiple payments (owing to different benefits). According to the Fund's administrative rules, each benefit is considered a separate entitlement and is paid according to the retiree's instructions (which may include different bank accounts, currencies or United States dollar-track or two-track system). The implementation of this recommendation has practical and regulatory limitations, given that it cannot be implemented without specific instructions/acceptance from beneficiaries; (b) The Fund secretariat has appropriate mechanisms in place to identify, track and recover potential overpayments, which require the participation of different units.	(a) Fund's reply accepted; (b) This recommendation was implemented.	X			
A/70/325, annex VI, chap. II, para. 65	(a) Formulate a holistic policy for the strategic planning, governance and management of various information technology projects required or under implementation; and (b) take proactive measures to expedite the procurement of the replacement for the existing trade order management system and restrict additional expenditure on interim measures.	(a) A presentation on this matter was prepared for the July 2016 Pension Board meeting; (b) the Bloomberg AIM trade order management system was successfully implemented on 18 January 2016 and the Charles River trade order management system was effectively decommissioned.	This recommendation was under implementation.		X		

General Assembly session/ paragraph	Summary of recommendation	Action reported by management	Board's assessment	Implemented	Under implementation	Not implemented	Overtaken by events
A/70/325, annex VI, chap. II, para. 74	Address all outstanding issues relating to implementation, including timely completion of data testing and parallel run.	IPAS went live in August 2015. The Fund's member self-service went live on 31 August 2016. Member self-service enables members of the Fund to access their documents and personal pension data directly.	This recommendation was implemented.	X			
	Total	**12**		**3**	**7**	**2**	
	Percentage	**100**		**25**	**58.33**	**16.67**	